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
NOT BANK QUALIFIED

RATINGS: Moody's: "Aa2"
Standard & Poor's: "AA+"
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 Series 2013 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 Series 2013 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
$8,340,000
THE CITY OF LINCOLN, NEBRASKA
SOLID WASTE MANAGEMENT REVENUE AND REFUNDING BONDS
SERIES 2013

Dated: Date of Delivery **Due: August 1, as set forth on the inside cover**

The Series 2013 Bonds will be issued in fully registered form and, when initially issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (**"DTC"**), New York, New York, which will act as securities depository for the Series 2013 Bonds. Purchases of the Series 2013 Bonds will originally be made in book-entry form only, in the principal amount of $5,000 or any integral multiple thereof, through brokers and dealers who are, or who act through, DTC participants. Beneficial owners of the Series 2013 Bonds will not receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the Series 2013 Bonds. So long as DTC or its nominee is the registered owner of the Series 2013 Bonds, payments of the principal or redemption price of and interest on the Series 2013 Bonds will be made directly to DTC. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. Interest is payable on February 1 and August 1 of each year, beginning August 1, 2013. Wells Fargo Bank, National Association is bond registrar and paying agent for the Series 2013 Bonds (the **"Registrar"**). For terms relating to principal and interest payments made to DTC or its nominee or in the event that the use of book-entry form is discontinued, see **"THE SERIES 2013 BONDS - Book-Entry System."**

The Series 2013 Bonds maturing on or after August 1, 2024 are subject to optional redemption prior to maturity at any time on or after August 1, 2023 as set forth herein. See **"THE SERIES 2013 BONDS - Optional Redemption."**

The Series 2013 Bonds are being issued for the purpose of (a) providing a portion of the funds necessary to pay for certain improvements to the City's municipally owned and operated solid waste management facilities (the **"Enterprise"**), (b) fund an escrow for the purpose of paying and redeeming in full the City's Solid Waste Management Revenue Bonds, Series 2006, dated August 17, 2006, in the aggregate principal amount outstanding of $2,800,000 (the **"Refunded Bonds"**), (c) making a deposit into the 2013 Account in the Reserve Fund established with respect to the Series 2013 Bonds, and (d) paying costs of issuance of the Series 2013 Bonds. See **"PLAN OF FINANCING."** The Series 2013 Bonds, together with all additional bonds (collectively, the **"Bonds"**) hereafter issued pursuant to Ordinance No. 18774 of the City (as amended and supplemented from time to time, the **"Ordinance"**), are payable solely from and are secured by a pledge of the net revenues (gross revenues less operating and maintenance expenses plus depreciation) of the Enterprise and money, if any, from time to time on deposit in certain funds and accounts created by the Ordinance. See **"INTRODUCTION," "SECURITY,"** and **"APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE."**

THE SERIES 2013 BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY AND NEITHER THE FULL FAITH AND CREDIT OF THE CITY OR THE STATE OF NEBRASKA (THE "STATE"), NOR ANY FUNDS DERIVED BY THE CITY FROM SOURCES OTHER THAN THOSE SPECIFICALLY MENTIONED IN THE PRECEDING PARAGRAPH, ARE PLEDGED TO THE PAYMENT THEREOF. THE SERIES 2013 BONDS ARE SPECIAL, LIMITED REVENUE OBLIGATIONS OF THE CITY AND THE PRINCIPAL OR REDEMPTION PRICE THEREOF AND INTEREST PAYABLE THEREON DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS AND NEITHER THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE THEREON. THE SERIES 2013 BONDS DO NOT CONSTITUTE A DEBT WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION UNDER THE LAWS OF THE STATE. THE SERIES 2013 BONDS AND THE INTEREST THEREON DO NOT, DIRECTLY OR INDIRECTLY, OBLIGATE THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY ANY FORM OF TAXATION THEREFOR OR TO MAKE ANY APPROPRIATIONS FOR THEIR PAYMENT, AND THE SERIES 2013 BONDS DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF.

MATURITY SCHEDULE – SEE INSIDE COVER

The Series 2013 Bonds are offered when, as, and if issued, subject to the approval of legality by Gilmore & Bell, P.C., Lincoln, Nebraska, Bond Counsel. Certain legal matters will be passed on by Rodney M. Confer, City Attorney. It is expected that the Series 2013 Bonds will be available for delivery through DTC on or about March 14, 2013.

AMERITAS INVESTMENT CORP.

The Official Statement is dated February 27, 2013

MATURITY SCHEDULE

$8,340,000
THE CITY OF LINCOLN, NEBRASKA
SOLID WASTE MANAGEMENT REVENUE AND REFUNDING BONDS
SERIES 2013

Maturity (August 1)	Principal Amount	Rate of Interest	Yield	Price
2013	$475,000	0.25%	0.25%	100.000%
2014	550,000	0.35	0.35	100.000
2015	550,000	1.00	0.50	101.181
2016	555,000	1.00	0.70	101.000
2017	570,000	1.50	0.85	102.788
2018	580,000	1.50	1.10	102.083
2019	575,000	1.75	1.35	102.436
2020	590,000	2.00	1.60	102.773
2021	850,000	4.00	1.85	116.618
2022	330,000	4.00	2.10	116.099
2023	345,000	4.00	2.25	116.118
2024	360,000	4.00	2.35	115.118*
2025	375,000	4.00	2.45	114.128*
2026	390,000	2.60	2.70	98.881
2027	400,000	4.00	2.65	112.179*
2028	415,000	4.00	2.75	111.218*
2029	430,000	3.00	3.00	100.000

* Priced to first optional call date, August 1, 2023.

THE CITY OF LINCOLN, NEBRASKA
CITY OFFICIALS

Chris Beutler, Mayor

City Council Members

Carl Eskridge (Chair)

Jon Camp
Jonathan Cook
Doug Emery
Eugene Carroll
Lloyd Hinkley
DiAnna Schimek

City Department Heads

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

Peggy Tharnish, City Controller

Bond Counsel

Gilmore & Bell, P.C.

Registrar and Paying Agent

Wells Fargo Bank, National Association

Independent Auditors

BKD LLP

REGARDING USE OF THIS OFFICIAL STATEMENT

AUTHORIZED INFORMATION AND REPRESENTATIONS

No dealer, broker, sales representative or other person has been authorized by The City of Lincoln, Nebraska (the **"City"**) to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2013 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 City 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 Ameritas Investment Corp., as underwriter (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 City since the date hereof.

The Underwriter intends to offer the Series 2013 Bonds initially at the offering prices set forth on the cover page of this Official Statement, which may subsequently change without any requirement of prior notice.

REGISTRATION EXEMPTION

The Series 2013 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 City, the City's solid waste management facilities and the terms of the offering, including the merits and risks involved. No federal or state securities commission or regulatory authority has recommended the Series 2013 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

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

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IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2013 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT

$8,340,000
THE CITY OF LINCOLN, NEBRASKA
SOLID WASTE MANAGEMENT REVENUE AND REFUNDING BONDS
SERIES 2013

INTRODUCTION

This Official Statement is provided by The City of Lincoln, Nebraska (the **"City"**) to furnish information about the City, its municipally owned and operated solid waste management facilities (the **"Enterprise"**), and its $8,340,000 Solid Waste Management Revenue and Refunding Bonds, Series 2013 (the **"Series 2013 Bonds"**). The Series 2013 Bonds are being issued pursuant to Ordinance No. 18774 duly passed by the Council on July 31, 2006 and approved by the Mayor on August 2, 2006, as amended and supplemented from time to time including, but not limited to, Ordinance No. 19825, passed by the Council on February 11, 2013 and approved by the Mayor on February 14, 2013 (collectively, the **"Ordinance"**). The Series 2013 Bonds, together with all additional solid waste management revenue or revenue refunding bonds hereinafter issued by the City pursuant to the Ordinance and outstanding thereunder, are secured by a first lien on and payable solely from the Net Revenues (hereinafter defined) of the Enterprise, which have been pledged to the payment of the principal or redemption price of and interest on the Series 2013 Bonds pursuant to the Ordinance.

The City will use the proceeds of the Series 2013 Bonds, together with other legally available funds of the City, to (a) provide a portion of the funds needed to make certain improvements to the Enterprise, (b) fund an escrow for the purpose of paying and redeeming in full the City's Solid Waste Management Revenue Bonds, Series 2006, dated August 17, 2006, in the aggregate principal amount outstanding of $2,800,000 (the **"Refunded Bonds"**) on August 1, 2013 (the **"Redemption Date"**), (c) make a deposit into the 2013 Account in the reserve fund established for the Series 2013 Bonds, and (d) pay expenses incident to the issuance of the Series 2013 Bonds.

Any descriptions of and references to the Series 2013 Bonds, the Ordinance, related transaction documents and other matters do not purport to be comprehensive or definitive and are qualified in their entirety by reference to the complete texts thereof, copies of which are available for inspection at the offices of the Underwriter at its offices in Lincoln, Nebraska. Definitions of initially capitalized terms used in this Official Statement and a summary of the Ordinance may be found in **"APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE."**

AUTHORITY

The Series 2013 Bonds are authorized pursuant to the provisions of Sections 15-244 and 18-1803 to 18-1805, inclusive, Reissue Revised Statutes of Nebraska, as amended, Article IX, Section 44, of the City's Home-Rule Charter and the Ordinance. The Ordinance permits the issuance of solid waste management revenue refunding bonds (the **"Refunding Bonds"**) and additional solid waste management revenue bonds (the **"Additional Bonds"**) on a parity with the Series 2013 Bonds. See **"APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE - Refunding Bonds"** and **" - Additional Bonds."**

SECURITY

The Series 2013 Bonds, together with any Refunding Bonds and Additional Bonds hereinafter issued by the City in accordance with the provisions of the Ordinance (collectively, the **"Bonds"**), are payable solely from and secured by a pledge of the Net Revenues. The Ordinance defines (a) **"Net Revenues"** as Revenues less Operation and Maintenance Expenses plus Depreciation, determined in accordance with generally accepted accounting principles for proprietary governmental operations such as the Enterprise; (b) **"Revenues"** as (1) all income and revenues derived from the use or operation of the Enterprise, including investment and rental income, sale of useable materials and any net proceeds from business interruption insurance, plus (2) the proceeds of the occupation tax imposed by Section 8.32.150 of the Lincoln Municipal Code, plus (3) such other revenues and income as shall be determined to be appropriate in accordance with generally accepted accounting principles for proprietary governmental operations such as the Enterprise, but excluding any amounts received from the sale of assets of the Enterprise; (c) **"Operation and Maintenance Expenses"** as the necessary expenditures for operating and maintaining the Enterprise and shall include expenditures generally classified as operating expenses in accordance with generally accepted accounting principles for proprietary governmental operations such as the Enterprise; and (d) **"Depreciation"** as depreciation and amortization expenses with respect to the Enterprise, classified as such in accordance with generally accepted accounting principles for proprietary governmental operations such as the Enterprise. **Upon the issuance of the Series 2013 Bonds and the establishment of an escrow with respect to the Refunded Bonds, the Series 2013 Bonds will be the only outstanding indebtedness payable from and secured by a lien on the Net Revenues. The full faith and credit of the City is not pledged to the payment of the Bonds.**

The Ordinance establishes a 2013 Reserve Account for the Series 2013 Bonds and requires the deposit therein of an amount equal to the Reserve Requirement for the Series 2013 Bonds. The **"Reserve Requirement"** with respect to a Series of Bonds is defined to be the lower of (a) the maximum annual principal and interest requirements on such Series of Bonds or (b) 125% of the average annual principal and interest requirements on such Series of Bonds; provided that the amount required to be deposited into a Reserve Account in the Reserve Fund in connection with the issuance of any Series of Bonds shall not exceed 10% of the original principal amount of such Series of Bonds (adjusted as required by the Internal Revenue Code of 1986, as amended (the **"Code"**) for any original issue discount or original issue premium). The Ordinance requires the creation of similar reserve accounts for Additional Bonds and Refunding Bonds hereinafter issued pursuant to the Ordinance.

Pursuant to the Ordinance, the City has also agreed that it will include in the resolution approving the City's annual budget pursuant to its Charter, a designation and appropriation of General Fund cash balances to pay Operation and Maintenance Expenses in an amount sufficient to produce Net Revenues equal to 110% of the annual Debt Service due and payable in such Fiscal Year if and to the extent the Net Revenues in such Fiscal Year are less than 125% of the annual Debt Service due and payable in such Fiscal Year and to the extent that such General Fund cash balances are available.

The foregoing and other material covenants of the City, including, without limitation, provisions as to rates and charges for solid waste management provided through the Enterprise, the issuance of Additional Bonds or Refunding Bonds, annual independent audits of records, and disposition of properties of the Enterprise, as contained in the Ordinance for the security of the registered owners of the Bonds, are set forth in **"APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE."**

ESTIMATED SOURCES AND USES OF FUNDS

Sources of Funds:

Principal Amount of Series 2013 Bonds	$8,340,000.00
Plus: Net Original Issue Premium	518,684.40
2006 Account in Reserve Fund	400,000.00
Bond Fund with Respect to Refunded Bonds	137,422.94
Total Sources:	$9,396,107.34

Uses of Funds:

2013 Project Costs	$5,700,000.00
2013 Account in Reserve Fund	695,140.00
Deposit to Escrow Account for Refunded Bonds	2,856,407.34
Costs of Issuance (including Underwriter's discount)	144,560.00
Total Uses:	$9,396,107.34

PLAN OF FINANCING

General

The proceeds of the Series 2013 Bonds will be used to (a) pay for certain extensions, enlargements, improvements and betterments to the Enterprise including, without limitation, the costs of the Bluff Road Municipal Solid Waste Landfill Phase 12 expansion, ongoing Phase 5 closure costs at the Bluff Road Municipal Solid Waste Landfill and paving projects related to the Bluff Road Municipal Solid Waste Landfill (collectively, the **"2013 Project"**), (b) fund an escrow for the purpose of paying and redeeming in full the Refunded Bonds, (c) fund a debt service reserve for the Series 2013 Bonds, and (d) pay the costs of issuing the Series 2013 Bonds. Accumulated Revenues from the Enterprise will be used to pay the remaining costs of the 2013 Project.

The Refunding

On the date of issuance of the Series 2013 Bonds, a portion of the net proceeds thereof, will be deposited into an escrow account (the **"Escrow Account"**) to be held under an Escrow Agreement between the City and Wells Fargo Bank, National Association, Minneapolis, Minnesota (the **"Escrow Agent"**). Such deposit will be used to purchase on such date of issuance direct obligations of the United States of America (**"Government Securities"**) which will be held in the Escrow Account.

The Government Securities will mature on such dates and in such amounts as shall provide funds which, together with other funds in the Escrow Account, will be sufficient to pay when due the principal amount or redemption price of and all interest due on the Refunded Bonds through and including the Redemption Date and to pay and redeem on the Redemption Date all of the then outstanding Refunded Bonds.

After the issuance of the Series 2013 Bonds and the deposit of a portion of the proceeds thereof and other moneys with the Escrow Agent pursuant to the Escrow Agreement, the Refunded Bonds will be payable from the maturing principal of the Government Securities, together with the earnings thereon and other moneys held for such purpose by the Escrow Agent. Under the Escrow Agreement, the Government Securities and the moneys held by the Escrow Agent are irrevocably pledged to the payment of the Refunded Bonds and the interest thereon and may be applied only to such payment, and the Refunded Bonds will no longer be deemed outstanding for purposes of the Ordinance.

Verification of Mathematical Computations

Upon delivery of the Bonds, Chris D. Berens, CPA, P.C., a firm of independent certified public accountants, will deliver to the Underwriter a report verifying the mathematical accuracy of certain computations relating to (a) the adequacy of the maturing principal amount of the securities held in the Escrow Account, interest earned thereon and certain uninvested cash to pay the principal and redemption price of, and interest on, the Refunded Bonds as such principal and redemption price and interest become due and payable, and (b) the mathematical computations supporting the conclusion that the Bonds are not "arbitrage bonds" under Section 148 of the Code. Such verification of the accuracy of the computations will be based upon information supplied by the Underwriter and on interpretations of the Code provided by Bond Counsel.

DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements for the Series 2013 Bonds for each of the years ending August 31:

Year	Principal	Interest	Total
2013	$475,000.00	$75,850.43	$550,850.43
2014	550,000.00	198,127.50	748,127.50
2015	550,000.00	196,202.50	746,202.50
2016	555,000.00	190,702.50	745,702.50
2017	570,000.00	185,152.50	755,152.50
2018	580,000.00	176,602.50	756,602.50
2019	575,000.00	167,902.50	742,902.50
2020	590,000.00	157,840.00	747,840.00
2021	850,000.00	146,040.00	996,040.00
2022	330,000.00	112,040.00	442,040.00
2023	345,000.00	98,840.00	443,840.00
2024	360,000.00	85,040.00	445,040.00
2025	375,000.00	70,640.00	445,640.00
2026	390,000.00	55,640.00	445,640.00
2027	400,000.00	45,500.00	445,500.00
2028	415,000.00	29,500.00	444,500.00
2029	430,000.00	12,900.00	442,900.00
TOTALS	$8,340,000.00	$2,004,520.43	$10,344,520.43

THE ENTERPRISE

Introduction

The Enterprise provides comprehensive integrated solid waste management programs for residents of the City and Lancaster County, Nebraska (the **"County"**). The City does not own or operate any refuse hauling trucks nor has the City entered into any contracts with private-sector haulers as a means of controlling or stabilizing the City's waste stream. Forty-one refuse haulers currently have licenses to operate in the City. The ten largest refuse haulers accounted for 52% of the Enterprise's total receipts in fiscal year 2011-12 and 51% of the Enterprise's total receipts in fiscal year 2010-11. The City's corporate limits encompass approximately 80 square miles and the land area in the County totals approximately 840 square miles. The Enterprise's solid waste management programs also serve the communities of Bennet,

Davey, Denton, Firth, Hickman, Hallam, Malcolm, Panama, Raymond, Roca, Sprague and Waverly, all of which are located within the County. The City's population increased an estimated 7.2% between the years 2006 and 2011, from 244,653 in 2006 to 262,341 in 2011. The County's population increased an estimated 7.2% over the same time period, from 270,288 in 2006 to 289,800 in 2011.

Solid Waste Management Plan 2040

The development of a Solid Waste Management Plan for the City and Lancaster County (the "**Solid Waste Plan 2040**") began mid-year 2012. The Solid Waste Plan 2040 will provide a guide for policy decisions regarding solid waste management systems, facilities and programs for approximately the next 30 years. The development of a comprehensive, integrated solid waste management plan was identified as a key strategy in the Lincoln-Lancaster County 2040 Comprehensive Plan (LPlan 2040), adopted in October 2011. A Needs Assessment was completed to establish a basis for the development of the long-term, comprehensive, integrated solid waste management plan. The Needs Assessment is available on the City's website at www.lincoln.ne.gov, using the keyword *solid waste plan.*

Strategies for solid waste management include (a) developing standards for future commercial and industrial development to ensure proper space for separation and handling of recyclables and solid waste and amending zoning ordinances to encourage new commercial centers to provide space for recycling drop-off facilities, (b) reducing urban acreage developments which could impact future landfill and electric system operations, (c) developing a 20-year comprehensive integrated solid waste management plan for the City and County, (d) creating a County-wide, integrated, environmentally safe and conservation-oriented recycling and waste management system, (e) minimizing the use of energy in solid waste management processes, and (f) continuing the development of the City's Landfill Gas Collection and Control Project.

The Solid Waste Plan 2040 is being guided by the Public Works and Utilities Department, the Lincoln-Lancaster County Health Department and a 20-member Advisory Committee. The Advisory Committee will review the components of the plan, evaluate community input, provide guidance and feedback and propose changes.

Enterprise Components

The Enterprise includes a permitted municipal solid waste landfill (including an active landfill gas collection system), a permitted construction and demolition waste landfill, a small vehicle transfer station, a yard waste composting facility, and a recycling drop-off program, each of which are discussed below.

Municipal Solid Waste Landfill. The Enterprise's permitted municipal solid waste landfill is located at 6001 Bluff Road and operates as the "Bluff Road Municipal Solid Waste Landfill" under NDEQ Permit NE0120995. The permit is effective from September 29, 2008 to May 15, 2013. A total of 171 acres are permitted for the disposal of solid waste. The City anticipates obtaining renewal of the permit for an additional five years. The capacity of the Bluff Road Municipal Solid Waste Landfill will be 25,201,000 cubic yards, excluding liner and final cover systems upon the permit renewal. The Bluff Road Municipal Solid Waste Landfill began operation in October, 1988 and, as of August 31, 2012, had an estimated remaining capacity of 50%, which is equivalent to an estimated remaining life of approximately 25 years. The Bluff Road Municipal Solid Waste Landfill received 282,380 tons of solid waste in fiscal year 2011-12. Construction of an active gas collection system was completed in September 2011 and on November 8, 2011 the City and Lincoln Electric System ("LES") entered into an agreement by Executive Order #84554 whereby LES will pay the City $1.10/MMBTU (adjusted annually). The minimum delivery and purchase obligations are currently anticipated to begin in September 2013. The term of the agreement is 20 years, with an option to renew for an additional 15 years.

Construction and Demolition Waste Landfill. The Enterprise's permitted construction and demolition waste landfill is located at 5101 North 48th Street and operates as the "North 48th Street Construction and Demolition Waste Landfill" under NDEQ Permit NE0203921. The permit is effective from September 25, 2008 to July 15, 2013. A total of 121 acres will be permitted for disposal of construction and demolition waste and the capacity of the site will be 2,259,000 cubic yards, excluding the final cover system. The City anticipates obtaining renewal of the permit for an additional five years. The North 48th Street Construction and Demolition Waste Landfill began operation in 1986 and, as of August 31, 2012, had an estimated remaining capacity of 50%, which is equivalent to an estimated remaining life of approximately 18 years. The North 48th Street Construction and Demolition Waste Landfill received 105,130 tons of material in fiscal year 2011-12.

Small Vehicle Transfer Station. The Enterprise's small vehicle transfer station also exists at 5101 North 48th Street. It does not require a permit to operate. The small vehicle transfer station began operation in 1990. The small vehicle transfer station accepts all vehicles having a one-ton rating (cars, passenger vehicles, or cargo vehicles) or less, with a cargo height of 5 feet or less; and trailers with a flatbed carrying size of 60 square feet or less, with a cargo height of 5 feet or less; or any combination of acceptable vehicles and trailers. The small vehicle transfer station accepted 7,143 tons of waste from approximately 23,000 vehicles (excluding wood waste and yard waste also collected at the facility) in fiscal year 2011-12.

Yard Waste Composting Facility. The Enterprise composts yard waste at 6001 Bluff Road in addition to operating the Bluff Road Municipal Solid Waste Landfill. The yard waste composting facility does not require a permit to operate. The composting of yard waste began in October, 1992 in response to the requirements imposed by the Integrated Solid Waste Management Act (Chapter 13, Article 20, Reissue Revised Statutes of Nebraska, as amended). The yard waste composting operation processed 17,443 tons of material (including wood waste) in fiscal year 2011-12.

Recycling Drop-Off Program. The Enterprise includes recycling drop-offs at 33 locations within the County, 23 of which are located within the City limits. Multiple materials are collected at 29 of the locations and four of the locations, all of which are located within the City limits, collect newspapers only. The materials collected through the recycling drop-off program include aluminum cans, tin cans, cardboard, glass, mixed paper, newspaper and #1 through #5 plastics. A total of 6,022 tons of material was collected and recycled through the recycling drop-off program in fiscal year 2011-12.

Collection of Banned Materials

Separate collection areas exist at both the Bluff Road Municipal Solid Waste Landfill and the Small Vehicle Transfer Station for items that are banned from land disposal. Those collection areas accept scrap tires, waste appliances, scrap metals, used oils and discarded lead-acid batteries. In fiscal year 2011-12, 53 tons of scrap tires, 270 tons of waste appliances and scrap metals, and 2,885 gallons of used oils were accepted and processed through contracted recyclers and a local metal recycler. Freon was removed from 225 waste appliances during this same period.

Licensure Requirements

Waste haulers collecting and conveying certain types of solid wastes and operating within the corporate limits of the City are required by Section 8.32 of the Lincoln Municipal Code to obtain a license from the Director of the Lincoln-Lancaster County Health Department on an annual basis. All waste hauler licenses expire on May 31st of each calendar year. There are currently 41 waste haulers who have licenses to operate in the City. The ten licensed waste haulers recording the largest amount of activity in fiscal year 2011-12 with the Enterprise's disposal facilities accounted for 52% of the total financial transactions in fiscal year 2011-12 and 51% of the total financial transactions in fiscal year 2010-11.

Special Programs and Activities

The Lincoln-Lancaster County Health Department conducts several solid waste related programs and activities. These programs include nuisance complaint (related to solid waste) investigation, special waste permitting, household hazardous waste and conditionally exempt small quantity generator collection events and public education, cleanup of emergency response incidents, and neighborhood clean-ups and illegal dumping prevention. The funding for these programs is derived, in part, from the Solid Waste Management Revenue Fund, which is an enterprise fund comprised of revenue generated from (a) a per ton tipping fee on all refuse disposed of in the Bluff Road Municipal Solid Waste Landfill, (b) the Occupation Tax (hereinafter defined), (c) other fees authorized by the City Council, and (d) revenue received from the sale of materials and disposal of assets.

Rates and Charges

The current rates, fees and charges for the Enterprise were imposed by Resolution No. A-83985, passed by the City Council on August 21, 2006 and approved by the Mayor on August 24, 2006. A rate increase imposed by Resolution No. A-86945, passed by the City Council on August 8, 2012 and approved by the Mayor on August 10, 2012, will be effective September 1, 2013 and will increase the per ton rate at the Bluff Road Municipal Solid Waste Landfill from $14.00 per ton to $16.00 per ton (from $4.55 per cubic yard to $5.20 per cubic yard). Current rates (in accordance with A-83985) fees and charges are as follows:

SCHEDULE A -- Small Vehicle Transfer Station

FLAT FEE SCHEDULE

The following rates shall be applied to all vehicles having a one-ton rating or less, with a cargo height of 5 feet or less; and trailers with a flatbed carrying size of 60 square feet or less, with a cargo height of 5 feet or less using a Small Vehicle Transfer Station:

Cars per vehicle trip	$3.00
Passenger Vehicles per vehicle trip	$9.00
Cargo Vehicles per vehicle trip	$11.00
Trailers per vehicle trip	$11.00
Any above vehicle and trailer per vehicle trip	$14.00

Any uncovered load will be assessed an additional amount equal to 50% of the charge for such load.

SCHEDULE B – Municipal Solid Waste Landfill

COMPUTED (WEIGHED) RATE SCHEDULE

The following rate shall be applied to all vehicles greater than a one-ton rating, trailers with a flatbed carrying size of greater than 60 square feet, and all vehicles and trailers regardless of weight or size with a cargo height of greater than 5 feet using the Municipal Solid Waste Landfill on a load weight basis as follows:

$14.00 Per Ton

The minimum charge shall be equal to the per ton rate of $14.00. For periods that the scale is inoperative, the rate charged shall be $4.55 per cubic yard. Any uncovered load will be assessed an additional amount equal to 50% of the computed charge for such load. The minimum fee for uncovered loads shall be $50.00.

SCHEDULE C – Compost Facility

FLAT FEE SCHEDULE

The following rates shall be applied to all vehicles having a one-ton rating or less, with a cargo height of 5 feet or less; and trailers with a flatbed carrying size of 60 square feet or less, with a cargo height of 5 feet or less using the Compost Facility:

Cars per vehicle trip	$3.00
Passenger Vehicles per vehicle trip	$6.00
Cargo Vehicles per vehicle trip	$11.00
Trailers per vehicle trip	$11.00
Any above vehicle and trailer per vehicle trip	$14.00

Any uncovered load will be assessed an additional amount equal to 50% of the charge for such a load.

COMPUTED (WEIGHED) RATE SCHEDULE

The following rate shall be applied to all vehicles greater than a one-ton rating, trailers with a flatbed carrying size of greater than 60 square feet and all vehicles and trailers regardless of weight or size with a cargo height of greater than 5 feet using the Compost Facility on a load weight basis as follows:

$15.75 Per Ton

The minimum charge shall be equal to the per ton rate of $15.75. For periods that the scale is inoperative, the rate charged shall be $8.00 per cubic yard. Any uncovered load will be assessed an additional amount equal to 50% of the computed charge for such load. The minimum fee for uncovered loads shall be $50.00.

SCHEDULE D – Construction and Demolition Debris Landfill

FLAT RATE SCHEDULE

The following rates shall be applied to all vehicles having a one-ton rating or less, with a cargo height of 5 feet or less; and trailers with a flatbed carrying size of 60 square feet or less, with a cargo height of 5 feet or less using the Construction and Demolition Debris Landfill:

Cars per vehicle trip	$4.00
Passenger Vehicles per vehicle trip	$4.00
Cargo Vehicles per vehicle trip	$4.00
Trailers per vehicle trip	$4.00
Any above vehicle and trailer per vehicle trip	$4.00

COMPUTED (WEIGHED) RATE SCHEDULE

The following rate shall be applied to all vehicles greater than a one-ton rating, trailers with a flatbed carrying size of greater than 60 square feet, all vehicles and trailers regardless of weight or size with a cargo height of greater than 5 feet using the Construction and Demolition Debris Landfill on a load weight basis:

$4.00 Per Ton

The minimum charge shall be equal to the per ton rate of $4.00. For periods that the scale is inoperative, the rate charged shall be $4.00 per cubic yard.

SCHEDULE E – Special Wastes

1. Special Wastes as defined by Municipal Code 8.32.080

1a. Special Wastes landfilled directly with other refuse at time of disposal ..... Schedule B per ton rate plus $5.00 per permit administrative fee

Minimum Charge (1 ton rate plus $5.00) $19.00

1b. Special Wastes requiring segregation from other refuse at time of disposal (including, but not limited to, asbestos containing materials) ..... Schedule B per ton rate plus $25.00 per load special handling fee

Minimum Charge (1 ton rate plus $25.00) $39.00

1c. Cars, Passenger Vehicles, Cargo Vehicles and Trailers as defined in Schedule A with Special Wastes ..... Applicable Schedule A fee plus $5.00 per permit administrative fee

SCHEDULE F - Special Fees

1. All whole and processed tires (portions of tires)

   1a. Car passenger tire or light truck tire ..... $3.00 each
   plus applicable Schedule A or Schedule B fees

   1b. Heavy (over-the-road) truck tire..... $6.50 each
   plus applicable Schedule A or Schedule B fees

   1c. Farm or industrial (off-road) tire ..... $11.50 each
   plus applicable Schedule A or Schedule B fees

2. All appliances prohibited from land disposal.

   Appliances ..... $5.00 each
   plus applicable Schedule A or Schedule B fees

3. The following fee shall be assessed for wastes which are unacceptable, including but not limited to out of county wastes, or prohibited from land disposal, if they are found to exist in a load and the vehicle driver refuses to remove the waste or place the waste in designated areas.

   Unacceptable waste loads rejected .....$50.00 per occurrence

Occupation Tax

Section 8.32.150 of the Lincoln Municipal Code generally imposes (a) an occupation tax of $7.00 on each ton of refuse collected by a refuse hauler within Lancaster County, Nebraska but outside the corporate limits of the City and which is deposited in the Bluff Road Municipal Solid Waste Landfill and (b) an occupation tax of $7.00 on each ton of refuse collected by a refuse hauler within the corporate limits of the City, regardless of where it is deposited ((a) and (b) collectively, the **"Occupation Tax"**). The Occupation Tax, however, may not be imposed upon (1) refuse destined for deposit at any location outside the State of Nebraska, (2) building rubbish or demolition debris lawfully being deposited into the North 48th Street Construction and Demolition Waste Landfill, or (3) liquid waste, as defined in Section 8.32.040 of the Lincoln Municipal Code. Section 8.32.150 of the Lincoln Municipal Code requires that all revenue derived from the Occupation Tax be used exclusively for funding solid waste management programs, including the payment of principal and interest on solid waste management revenue bonds issued by the City. In *Waste Connections of Nebraska, Inc. v. City of Lincoln, Nebraska*, 269 Neb. 855, 697 N.W.2d 256 (2005), the Nebraska Supreme Court unanimously affirmed the City's authority to levy the Occupation Tax.

Ordinance 19756 passed by City Council on August 8, 2012 and approved by the Mayor on August 10, 2012 and Ordinance 19818 passed by City Council on December 17, 2012 and approved by the Mayor on December 20, 2012 will increase the Occupation Tax rate from $7.00 per ton to $9.00 per ton effective September 1, 2013.

Closure and Post-Closure Activities

State and federal laws require the City to close its permitted landfills once their capacity has been reached. The City is required to monitor and maintain the Bluff Road Municipal Solid Waste Landfill for 30 years subsequent to its closure and monitor and maintain the North 48th Street Construction and Demolition Waste Landfill for 5 years subsequent to its closure. Although certain closure and post-closure care costs will be paid only near or after the date that each landfill stops accepting waste, the City reports a portion of these costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The City, in a review conducted by the Nebraska Department of Environmental Quality (NDEQ) in 2012, was demonstrated to be in compliance with the financial assurance requirements specified in NDEQ Title 132, *Integrated Solid Waste Management Regulations*, for calendar year 2012, through application of the Local Government Financial Test.

As of August 31, 2012, the City had incurred a liability of approximately $10,534,000 for the Bluff Road Municipal Solid Waste Landfill, which represents the total closure and post-closure care costs reported to date therefor based on the use of an estimated 50% of the total landfill capacity thereof. The remaining estimated liability for the Bluff Road Municipal Solid Waste Landfill is approximately $10,385,000, which will be recognized as the remaining capacity (estimated to be 25 years) of the Bluff Road Municipal Solid Waste Landfill is used.

As of August 31, 2012, the City had incurred a liability of approximately $500,000 for the North 48th Street Construction and Demolition Waste Landfill, which represents the total closure and post-closure care costs reported to date therefor based on the use of an estimated 50% of the total landfill capacity. The remaining estimated liability for the North 48th Street Construction and Demolition Waste Landfill is approximately $494,000, which will be recognized as the remaining capacity (estimated to be 18 years) of the North 48th Street Construction and Demolition Waste Landfill is used.

The estimated costs of closure and post-closure care are subject to change based on the effects of inflation, revisions to applicable laws, changes in technology, the sequence of landfill development and closure and other variables. In addition to constructing engineered capping and cover systems, other activities that are required to continue during closure and post-closure periods include, without limitation, landfill gas monitoring and control, groundwater monitoring, and management of leachate and storm water. Site security is also maintained and acceptable vegetation is maintained through mowing and weed control efforts. If necessary, remedial actions are also taken to address environmental concerns that occur during the closure and post-closure periods.

The City owns a solid waste disposal area which discontinued operations in 1990. Although exempt from the U.S. Environmental Protection Agency *Solid Waste Disposal Facility Criteria* issued October 9, 1991, the City adheres to certain closure and post-closure care requirements under prior legislation, including the construction and maintenance of final cover, monitoring of ground water quality and landfill gas migration and general site maintenance. As of August 31, 2012, a liability for closure and post-closure care costs was reported for the discontinued landfill in the amount of approximately $4,402,000. As with the permitted landfills, these closure and post-closure costs were reported as an operating expense in each financial reporting period.

Employee Information

The Enterprise has 33.17 employees as of the date of this Official Statement. All employees, with the exception of one manager who is not represented by any bargaining unit, are represented by the Public Association of Governmental Employees (PAGE), the Lincoln City Employees Association (LCEA) or the Lincoln "M" Class Employees Association (LMCEA). In addition to Social Security, the City has a contributory retirement plan for its employees, including employees of the Enterprise. The plan is a straight money purchase plan. Employee forfeitures are used to reduce the employer's contribution. All past service costs and vested benefits are fully funded. The total retirement expense for employees of the Enterprise, including Social Security, was $182,262 for the fiscal year ended August 31, 2012.

Those employees of the City charged with the management functions of the Enterprise, their areas of responsibility and related experience are as follows:

Miki Esposito	Director of Public Works & Utilities Years of Related Experience: 2 Years with City of Lincoln: 4
Fran Mejer	Public Works & Utilities Business Manager Years of Related Experience: 21 Years with City of Lincoln: 21
Karla Welding	Superintendent of Solid Waste Operations Years of Related Experience: 18 Years with City of Lincoln 27

FIVE-YEAR STATEMENT OF HISTORICAL OPERATIONS

The following table sets forth the historical operations of the Enterprise for each of the fiscal years ended August 31:

Fiscal Year Ended August 31	Annual Solid Waste in Tons	Revenue Per Ton	Revenues[1][2]	Net Operating Costs [3]	Net Operating Revenue	Debt Service Requirement	Debt Service Coverage
2008	398,614	$21.42	$8,537,520	$5,540,292	$2,997,228	$345,825	8.7
2009	332,248	23.07	7,664,336	5,491,789	2,172,547	343,225	6.3
2010	352,089	20.95	7,377,385	5,768,077	1,609,308	340,425	4.7
2011	383,040	19.88	7,615,130	6,253,133	1,361,997	342,425	3.9
2012	404,953	19.13	7,745,565	6,376,120	1,369,445	344,025	3.9

(1) Revenues are: (a) total operating revenues, including tipping fees; plus (b) total non-operating revenues, including occupation taxes and investment income but excluding gains or losses realized from the disposal of capital assets; plus (c) such other revenues and income as are determined to be appropriate in accordance with generally accepted accounting principles for proprietary governmental operations such as the Enterprise.

(2) Includes occupation taxes imposed upon refuse haulers who collected refuse within the corporate limits of the City but disposed of such refuse at landfills not owned by the City and averaged $150,965 from 2008 to 2012.

(3) Depreciation, closure and post closure care costs, and capital contributions not included.

PROJECTED OPERATING RESULTS AND DEBT SERVICE COVERAGE

Fiscal Year Ending August 31	Annual Solid Waste in Tons	Revenue Per Ton	Revenues [1]	Net Operating Costs [2]	Net Operating Revenue	Debt Service Requirement[3]	Debt Service Coverage[3]
2013	404,953	$19.43	$7,869,957	$6,441,919	$1,428,038	$779,527[c]	1.83
2014	404,953	23.05	9,336,448[a]	6,451,812	2,884,636	1,031,310[d]	2.80
2015	404,953	23.01	9,320,032	6,648,172	2,671,860	1,401,091[e]	1.91
2016	404,953	25.82	10,458,660[b]	6,850,588	3,608,072	1,593,807[f]	2.26
2017	404,953	25.82	10,458,660	7,059,260	3,399,400	1,598,601	2.13

(1) Revenues are: (a) total operating revenues, including tipping fees; plus (b) total non-operating revenues, including occupation taxes and investment income but excluding gains or losses realized from the disposal of capital assets; plus (c) such other revenues and income as are determined to be appropriate in accordance with generally accepted accounting principles for proprietary governmental operations such as the Enterprise.

(2) Depreciation, closure and post closure care costs, and capital contributions not included.

(3) Component for Series 2013 Bonds based on preliminary estimates of rates and maturities.

(a) $2.00/ton tipping fee increase and a $2.00/ton occupation tax increase for the fiscal year ending 2014. These increases have been approved by City Council.

(b) $2.00/ton tipping fee increase and a $2.00/ton occupation tax increase proposed for the fiscal year ending 2016.

(c) Increase due to issuance of the Series 2013 Bonds.

(d) Increase due to $2,050,000 bond issue proposed in the fiscal year ending 2014.

(e) Increase due to $4,200,000 bond issue proposed in the fiscal year ending 2015.

(f) Increase due to $2,150,000 bond issue proposed in the fiscal year ending 2016.

The foregoing projections have been prepared by the business office of the Public Works and Utilities Department. The proposed rate increase for fiscal year ending 2014 has been approved by the City Council. The proposed rate increase for fiscal year ending 2016 and the proposed bond issues for the fiscal years ending 2014, 2015 and 2016 have not been approved by City Council. The City currently anticipates that such proposed bond issues will be used for the purposes of providing for extensions, enlargements and improvements to the Enterprise.

There can be no assurance that the financial results achieved by the City in the future will be similar to historical and projected results contained herein. See "BONDHOLDERS' RISKS—Summary Financial Information" elsewhere in this Official Statement.

BONDHOLDERS' RISKS

This section provides a general overview of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in evaluating an investment in the Series 2013 Bonds. This section is provided for convenience and is not meant to be a comprehensive or definitive discussion of the risks associated with an investment in the Series 2013 Bonds, and the order in which this information is presented does not necessarily reflect the relative importance of various risks.

Prospective purchasers if the Series 2013 Bonds are advised to consider the following factors, among others, and to review this entire Official Statement, including the appendices hereto, to obtain information essential to the making of an informed investment decision. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value and/or in the marketability of the Series 2013 Bonds or adversely affect the ability of the City to make timely payments of principal of or interest on the Series 2013 Bonds. Additional risks and uncertainties not currently known to the City or that the City currently believes are immaterial may also impair its operations or financial condition.

General

The Series 2013 Bonds are revenue obligations of the City secured by a first lien on and payable solely from the Net Revenues of the Enterprise. No representation or assurance can be given that the City will realize Net Revenues in amounts sufficient to pay the principal or redemption price of and interest on the Series 2013 Bonds. The realization of future Net Revenues is dependent upon, among other things, the capabilities of the management of the Enterprise, competition from other refuse haulers, and future changes in economic and other conditions that are unpredictable and cannot be determined at this time.

Summary Financial Information

Certain summarized historical and projected financial information of the Enterprise is summarized in this Official Statement, including Appendix A hereto. There can be no assurance that the financial results achieved by the City in the future will be similar to historical or projected results contained therein. Such future results will vary from historical and projected results, and actual variations may be material. Therefore, the historical and projected operating results of the Enterprise contained in this Official Statement cannot be viewed as a representation that the City will be able to generate sufficient revenues in the future to make timely payment of principal of, redemption premium, if any, and interest on its debt obligations, including the Series 2013 Bonds.

Factors Affecting the Net Revenues of the Enterprise

One or more of the following factors or events, or the occurrence of other unanticipated factors or events, could adversely affect the Net Revenues of the Enterprise to an extent that cannot be determined at this time:

Competition and Demand for Services. The City does not own or operate any refuse hauling trucks nor has the City entered into any contracts with private-sector haulers as a means of controlling or stabilizing the City's waste stream. Forty-one refuse haulers currently have licenses to operate in the City. The ten largest refuse haulers accounted for 52% of the Enterprise's total receipts in fiscal year 2011-12 and 51% of the Enterprise's total receipts in fiscal year 2010-11. For the fiscal years ended August 31, 2012 and 2011, approximately 5% and 6%, respectively, of the refuse collected in the City was transported to facilities other than the City's and the City collected no tipping fee. Because tipping fees accounted for approximately 51% of the Enterprise's revenues for the year ended August 31, 2012, a substantial percentage increase in refuse transported to facilities not owned by the City could have a detrimental impact on the financial status of the Enterprise. However, because all refuse haulers collecting refuse within the corporate limits of the City are subject to the Occupation Tax regardless of where such refuse is transported, the Occupation Tax can be used to stabilize the Revenues of the Enterprise.

Government Regulation. Various health and safety regulations and standards apply to the Enterprise and are enforced by various state and local departments and agencies. Violations of certain health and safety standards could result in closure of some or all of the facilities comprising the Enterprise. The Enterprise is currently in compliance with all existing health and safety regulations; however, it is possible that such standards may change and the City cannot guarantee that the facilities comprising the Enterprise will meet any such changed standards or that the City will not be required to expend significant sums in order to comply with such changed standards.

Environmental Regulation. The Enterprise is subject to continuing environmental regulation. Federal, state and local standards and procedures that regulate the environmental impact of solid waste management facilities are subject to change. These changes may arise from continuing legislative, regulatory and judicial action regarding such standards and procedures. Consequently, there is no assurance that facilities in operation will remain subject to the regulations currently in effect, will always be in compliance with further regulations or will always be able to obtain all required operating permits. An inability to comply with environmental standards could result in reduced operating levels or the complete shutdown of some or all of the facilities comprising the Enterprise. See **"THE ENTERPRISE – Closure and Post-Closure Activities."**

Waste Diversion Efforts. A significant rise in waste diversion efforts, including waste reduction, recycling and composting could reduce demand for the City's landfills which could materially adversely affect the Net Revenues.

Absence of Credit Enhancement

No form of credit enhancement will be or has been obtained in connection with the Series 2013 Bonds. No form of revenues other than the Net Revenues derived by the City from the Enterprise will be available for the payment of the principal or redemption price of and interest on the Series 2013 Bonds.

Enforcement of Remedies

Enforcement of the remedies under the Ordinance may be limited or restricted by state and federal laws relating to bankruptcy, fraudulent conveyances, and rights of creditors and by application of general principles of equity affecting the enforcement of creditors' rights and liens securing such rights, and the

exercise of judicial authority by state or federal courts, and may be subject to discretion and delay in the event of litigation or statutory remedy procedures. The legal opinion to be delivered concurrently with the delivery of the Series 2013 Bonds will be qualified as to the enforceability of the Ordinance by limitations imposed by state and federal laws, rulings and decisions affecting remedies, and by general principles of equity and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors. In the event of a default, no assurance can be given that the exercise of remedies provided in the Ordinance will provide proceeds sufficient to make timely payments of the principal or redemption price of and interest on the Series 2013 Bonds.

Future Legislation

President Obama has released legislative and budget proposals that would, among other things, subject interest on tax-exempt bonds (including the Series 2013 Bonds and other tax-exempt obligations of the City) to a federal income tax for taxpayers with incomes above certain thresholds. Additional proposals affecting tax-exempt interest may be considered from time to time which could limit the availability of or eliminate federally tax-exempt interest on tax-exempt bonds. Neither house of Congress has passed any such proposal, and it is not possible to predict whether President Obama's, or another proposal with similar effects, will be enacted into law. If enacted into law, such a proposal could adversely affect the ability of the City to finance and/or refinance projects on favorable tax-exempt terms. Prospective purchasers of the Series 2013 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Secondary Market

There can be no guarantee that there will be a secondary market for the Series 2013 Bonds or, if a secondary market exists, that the Series 2013 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

THE SERIES 2013 BONDS

General

The Series 2013 Bonds will initially be issued in fully registered, book-entry form only (see **"Book-Entry System"** under this heading) in the principal amount of $5,000 or any integral multiple thereof; be dated the date of delivery (the **"Date of Original Issue"**); bear interest from the Date of Original Issue payable on February 1 and August 1 of each year, commencing August 1, 2013; mature on August 1 in the years and in the principal amounts and bear interest at the rates (calculated on the basis of a 360-day year consisting of twelve, 30-day months) set forth on the inside cover of this Official Statement. Each installment of interest shall be payable by check or draft mailed by Wells Fargo Bank, National Association, the bond registrar and paying agent for the Series 2013 Bonds (the **"Registrar"**), on the due date thereof (or on the next business day if such due date falls on a Saturday, Sunday or bank holiday applicable to the Registrar) to the registered owner of a Series 2013 Bond as shown on the bond registration records maintained by the Registrar as of the Record Date (hereinafter defined). The principal of each Series 2013 Bond is payable only upon the surrender of such Series 2013 Bond to the Registrar. The **"Record Date"** for each installment of interest shall be the 15th day (whether a business day or not) of the calendar month next preceding the interest payment date.

Book-Entry System

General. The Depository Trust Company (**"DTC"**), New York, New York, will act as securities depository for the Series 2013 Bonds. The ownership of one fully registered Series 2013 Bond for each maturity, as set forth on the inside cover of this Official Statement, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as the nominee for DTC. Ownership interests in the Series 2013 Bonds will be available to purchasers only through a book-entry system maintained by DTC (the **"Book-Entry System"**). A description of DTC, the Book-Entry System and definitions of initially capitalized terms used herein are found in **"APPENDIX F - BOOK-ENTRY SYSTEM."**

Risk Factors. Beneficial Owners of the Series 2013 Bonds may experience some delay in their receipt of distributions of the principal or redemption price of and interest on the Series 2013 Bonds because such distributions will be forwarded by the Registrar to DTC, credited by DTC to its Direct Participants, and then credited to the accounts of the Beneficial Owners either directly or indirectly through Indirect Participants.

Because transactions in the Series 2013 Bonds can only be effected through DTC, DTC Participants and certain banks, the ability of a Beneficial Owner to pledge Series 2013 Bonds to persons or entities that do not participate in the Book-Entry System, or otherwise to take actions in respect of such Series 2013 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 Ordinance, and Beneficial Owners will be permitted to exercise the rights of registered owners only indirectly through DTC and DTC Participants.

Optional Redemption

Series 2013 Bonds maturing on or prior to August 1, 2023 are not subject to redemption prior to their stated maturities. Series 2013 Bonds maturing on or after August 1, 2024 are subject to redemption prior to maturity at the option of the City in whole or in part, at any time on or after August 1, 2023 in such principal amounts and from such maturity or maturities as the City shall specify and by lot in integral multiples of $5,000 within a maturity at a redemption price equal to 100% of the principal amount then being redeemed, together with accrued interest on such principal amount to the date fixed for redemption.

Notice and Effect of Call for Redemption

Notice of redemption will be mailed by first class mail by the Registrar no fewer than 30 days prior to the redemption date to the registered owner of each Series 2013 Bonds, all or a portion of which is called for redemption. Each notice of redemption shall designate the Series 2013 Bonds to which such notice relates, the Date of Original Issue of such Series 2013 Bonds, the redemption date, the redemption price, the place or places of redemption (including the name and address of the Registrar), the CUSIP number (if any) of the maturity, and, if less than all of such maturity, the distinctive certificate numbers of the Series 2013 Bonds of such maturity to be redeemed and, in the case of any Series 2013 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on the redemption date there will become due and payable on each of such Series 2013 Bonds, or portions thereof, the redemption price thereof, together with interest accrued to the date fixed for redemption, and that from and after such redemption date, interest thereon shall cease to accrue, and shall require that such Series 2013 Bonds be then surrendered at the address of the Registrar specified in the redemption notice. Failure of any owner to receive notice or any defect in any such notice shall not affect the sufficiency of the proceedings for redemption.

So long as DTC is effecting book-entry transfers of the Series 2013 Bonds, the Registrar will provide the notices of Series 2013 Bonds to be redeemed to DTC. It is expected that DTC will, in turn, notify the

DTC Participants and that the DTC Participants, in turn, will notify or cause notification to be given to the Beneficial Owners. Any failure on the part of DTC or a DTC Participant, or failure on the part of a nominee of a Beneficial Owner of a Bond (having been mailed notice from the Registrar, a DTC Participant or otherwise) to notify the Beneficial Owner of the Bond so affected, will not affect the validity of the redemption of such Bond.

Interchangeability and Transfer

The Series 2013 Bonds, upon surrender thereof to the Registrar with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or its duly authorized attorney, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of Series 2013 Bonds in registered form of the same series, rate of interest, maturity and of any authorized denomination.

In all cases in which the privilege of exchanging or transferring the Series 2013 Bonds is exercised, the City shall execute and the Registrar shall deliver the Series 2013 Bonds in accordance with the Ordinance. For every such transfer or exchange of Series 2013 Bonds, the Registrar shall require the payment by the registered owner requesting such transfer or exchange of any tax or other governmental charges payable with respect thereto, and may charge a sum not exceeding the actual cost for each new Bond.

Neither the City nor the Registrar is required to make any such exchange or registration of transfer of Series 2013 Bonds during the period between a Record Date and the next succeeding interest payment date or, in the case of any proposed redemption of Series 2013 Bonds, after notice of the redemption of such Series 2013 Bonds or any portion thereof shall have been given pursuant to the Ordinance.

The foregoing procedures do not apply to Beneficial Owners, whose transfer and exchange privileges will be governed by the procedures described under **"THE SERIES 2013 BONDS - Book-Entry System"** herein so long as the Series 2013 Bonds are held in book-entry format.

RATINGS

Moody's Investors Service has assigned the Series 2013 Bonds the rating of "Aa2" and Standard & Poor's has assigned the Series 2013 Bonds the rating of "AA+." Such ratings reflect only the views of such organizations, and an explanation of the significance of such ratings may be obtained from Moody's Investors Service, 250 Greenwich Street, New York, New York 10007, telephone (212) 553-0300, and Standard & Poor's Ratings Services, 55 Water Street, New York, New York, 10041, telephone (212) 438-2124.

Generally, rating agencies base their ratings on such information and materials and investigations, studies and assumptions furnished to and obtained and made by the rating agencies. The debt ratings are not a recommendation to purchase, sell or hold a security, inasmuch as they do not comment as to market price or suitability for a particular investor. There can be no assurance that the above ratings will remain for any given period of time or that they may not be lowered, suspended or withdrawn entirely by either or both rating services if they deem circumstances are appropriate. Any downward change in, suspension or withdrawal of either or both ratings may have a material adverse effect on the market price of the Series 2013 Bonds.

TAX MATTERS

The following is a summary of the material federal and State of Nebraska income tax consequences of holding and disposing of the Series 2013 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 Series 2013 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 Series 2013 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 Series 2013 Bonds.

Opinion of Bond Counsel

In the opinion of Gilmore & Bell, P.C., Lincoln, Nebraska, Bond Counsel, under the law existing as of the issue date of the Series 2013 Bonds:

Federal and Nebraska Tax Exemption. The interest on the Series 2013 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 Series 2013 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 Series 2013 Bonds have not been designated as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code.

Bond counsel's opinions are provided as of the date of the original issue of the Series 2013 Bonds, subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2013 Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Series 2013 Bonds in gross income for federal and the State of Nebraska income tax purposes retroactive to the date of issuance of the Series 2013 Bonds. Bond Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Series 2013 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 Series 2013 Bond over its issue price. The issue price of a Series 2013 Bond is the first price at which a substantial amount of the Series 2013 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 Series 2013 Bond during any accrual period generally equals (1) the issue price of that Series 2013 Bond, plus

the amount of OID accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that Series 2013 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 Series 2013 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 Series 2013 Bond. Prospective investors should consult their own tax advisors concerning the calculation and accrual of OID.

Original Issue Premium. If a Series 2013 Bond is issued at a price that exceeds the stated redemption price at maturity of the Series 2013 Bond, the excess of the purchase price over the stated redemption price at maturity constitutes "premium" on that Series 2013 Bond. Under Section 171 of the Code, the purchaser of that Series 2013 Bond must amortize the premium over the term of the Series 2013 Bond using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the owner's basis in the Series 2013 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 Series 2013 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 Series 2013 Bonds. Upon the sale, exchange or retirement (including redemption) of a Series 2013 Bond, an owner of the Series 2013 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 Series 2013 Bond (other than in respect of accrued and unpaid interest) and such owner's adjusted tax basis in the Series 2013 Bond. To the extent a Series 2013 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 Series 2013 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 Series 2013 Bonds, and to the proceeds paid on the sale of the Series 2013 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 Series 2013 Bonds should be aware that ownership of the Series 2013 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 Series 2013 Bonds. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Series 2013 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 Series 2013 Bonds, including the possible application of state, local, foreign and other tax laws.

CONTINUING DISCLOSURE

The City has entered into an undertaking (the "**Undertaking**") for the benefit of the holders of the Series 2013 Bonds to provide certain financial information and operating data to the Municipal Securities Rulemaking Board ("**MSRB**") annually and to provide notice to the MSRB of certain events, in order to assist the Underwriter with complying with its obligations under Rule 15c2-12 ("**Rule**") of the Securities Exchange Act of 1934, as amended. See **"APPENDIX E—FORM OF CONTINUING DISCLOSURE UNDERTAKING."**

A failure by the City to comply with the Undertaking will not constitute an event of default with respect to the Series 2013 Bonds, although any holder would have any available remedy at law or in equity, including seeking specific performance by court order, to cause the City to comply with its obligations under the Undertaking. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2013 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2013 Bonds and their market price. The City believes it has complied, in all material respects, with its previous undertakings under the Rule.

LITIGATION

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Series 2013 Bonds or questioning or affecting the validity of the Series 2013 Bonds or the proceedings and authority under which they are to be issued. None of the creation, organization or existence of the City or the title of the members of the Council or other officers of the City to their respective offices is being contested or questioned.

There is no litigation pending that in any manner questions the right of the City to pass the Ordinance pursuant to which the Series 2013 Bonds are being issued.

LEGAL MATTERS

All legal matters incident to the authorization and issuance of the Series 2013 Bonds are subject to the approval of Gilmore & Bell, P.C., Bond Counsel. Certain legal matters will be passed on by Rodney M. Confer, City Attorney. Certain of the fees of Bond Counsel are contingent upon the issuance and sale of the Series 2013 Bonds.

INDEPENDENT AUDITORS

The financial statements and schedules of (a) the Enterprise for the years ended August 31, 2012 and 2011, included in **"APPENDIX B – SOLID WASTE MANAGEMENT FUND FINANCIAL STATEMENTS,"** and (b) the City for the year ended August 31, 2011 with summarized financial information as of August 31, 2010, included in **"APPENDIX C – CITY OF LINCOLN GENERAL FINANCIAL STATEMENTS"** to this Official Statement have been audited by BKD LLP, independent auditors, as stated in their report appearing herein.

UNDERWRITING

The Series 2013 Bonds are being purchased by Ameritas Investment Corp. (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase the Series 2013 Bonds from the City at a price of $8,783,624.40, which is the $8,340,000 aggregate principal amount of the Series 2013 Bonds plus a net original issue premium of $518,684.40 and less an underwriting discount of $75,060.00 for its services in underwriting the Series 2013 Bonds. The Series 2013 Bonds may be offered and sold to certain dealers (including underwriters and other dealers depositing such Bonds into investment trusts) at prices lower than such public offering prices.

MISCELLANEOUS

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

The information set forth in this Official Statement should not be construed as representing all of the conditions affecting the City or the Series 2013 Bonds.

This Official Statement is issued by the City.

THE CITY OF LINCOLN, NEBRASKA

APPENDIX A

THE CITY OF LINCOLN, NEBRASKA

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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 90.85 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.

City Government

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

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

Transportation

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

Lincoln is served by two commercial airports with daily shuttle service available between locations. The Lincoln Municipal Airport is located less than 10 minutes from downtown and has daily departures to Chicago, Denver, Detroit, and Minneapolis. Eppley Airfield, located in east Omaha, is 65 minutes from downtown Lincoln and offers service from multiple 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, Union Pacific, and AMTRAK. Ground transportation is furnished by Greyhound/Black Hills Stage Lines and local StarTran bus services.

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 24,000 students, Nebraska Wesleyan University, with approximately 2,100 students, Union College, with approximately 900 students, Kaplan University, with approximately 930 students and Southeast Community College, with approximately 10,300 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 35,000 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

	COMMERCIAL [1] CONSTRUCTION		RESIDENTIAL [1] CONSTRUCTION		PROPERTY VALUE [2]		
FISCAL YEAR	# PERMITS	VALUE	# PERMITS	VALUE	COMMERCIAL	RESIDENTIAL	TOTALS
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
2002	1,013	245,476,386	3,405	262,293,941	2,855,200,333	7,048,688,380	9,903,888,713

[1] City of Lincoln, Building and Safety Department.
[2] Lancaster County Assessor.

Police and Fire Protection

Lincoln has fourteen fire stations manned by 283 firefighters and three police stations with 321 police officers.

City Employee Information

For the 2011-2012 fiscal year, contracts have been signed with all of our unions. Unions include: the Lincoln Police Union (LPU) representing police officers; the International Association of Firefighters (IAF) representing firefighters, the Amalgamated Transit Union (ATU) representing transit workers, the Public Association of Government Employees (PAGE) representing labor, trades, and clerical personnel, the City Employees Association (CEA) representing supervisory, highly technical, and professional personnel, and the Lincoln M Class Employees Association (LMCEA) representing upper management, administration and professional personnel. All contracts expire at the end of August, 2012.

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, 2011		NOVEMBER 30, 2011	
	Number Employed	Percent of Total	Number Employed	Percent of Total
Industry Manufacturing:				
Durable Goods	8,130	4.6	8,064	4.5
Nondurable Goods	4,833	2.8	4,768	2.7
Total Industry Manufacturing	12,963	7.4	12,832	7.2
Nonmanufacturing:				
Natural Resource & Construction	6,621	3.8	6,493	3.7
Transportation, Communications & Utilities	10,491	6.0	10,711	6.0
Wholesale Trade	4,028	2.3	4,150	2.3
Retail Trade	18,370	10.5	19,346	10.9
Information	2,130	1.2	2,184	1.3
Finance, Insurance & Real Estate	13,327	7.6	13,354	7.5
Services (except domestic)	67,979	38.8	69,100	39.1
Government	39,201	22.4	38,948	22.0
Total Nonmanufacturing	162,147	92.6	164,286	92.8
TOTAL	175,110	100.0	177,118	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 2011-2002)
(For the Calendar Year Indicated)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Civilian Labor Force	160,683	157,933	159,298	159,943	157,887	157,632	157,999	158,444	156,940	153,021
Unemployment	6,130	6,802	7,015	4,899	4,462	4,592	5,643	5,346	5,841	5,007
Percent of Labor Force	3.8	4.3	4.4	3.1	2.8	2.9	3.6	3.4	3.7	3.3
Employment	154,553	151,130	152,283	155,044	153,425	153,040	152,355	153,098	151,100	148,013

STATE OF NEBRASKA

Percent of Labor Force Unemployment	4.2	4.7	4.7	3.3	3.0	3.2	3.9	3.8	3.8	3.6

Source: State of Nebraska, Department of Labor

DEMOGRAPHIC STATISTICS
LAST TEN YEARS

Year	Population 1	Per Capita Personal Income 2	School Enrollment 3
2011	258,379	$	36,530
2010	254,001		35,896
2009	251,624	37,361	34,973
2008	248,744	37,990	34,061
2007	241,167	36,838	33,466
2006	239,213	35,441	32,934
2005	238,625	33,799	32,505
2004	236,146	33,024	32,270
2003	235,565	32,098	31,889
2002	231,800	31,208	31,867

Sources:

1 Lincoln/Lancaster Planning Department.

2 U.S. Dept. of Commerce Bureau of Economic Analysis.
Per Capital Income is based on Lincoln Metropolitan Statistical Area, which includes all of Lancaster and Seward Counties
Per Capita Income for 2010 and 2011 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

Year	Water Customers	Gas Customers	Electricity Customers
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
2002	69,704	89,085	114,388

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
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
2002	27,237,134	49,913,169	10,833,055	16,974,798	14,017,601	17,989,603	12,691,837	7,411,878	157,069,075

[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
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
2002	105,139,052	59,029,609	12,449,879	5,605,557	4,606,825	10,325,634	197,156,556

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

SPECIAL ASSESSMENT COLLECTIONS
LAST TEN YEARS [1]

Fiscal Year Ended August 31	Special Assessment Collections Including Interest
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
2002	1,867,653

[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 2011 tax levy for the 2011-2012 fiscal year is $100,174,806 below the legal limit, a tax rate per $100 valuation of .31580. The assessed value upon which the 2011 levy is based is $15,900,828,813. By charter, only 90% of the property tax levy may be appropriated.

For the 2011-2012 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 2011-2012 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 .12%. An additional 1% can be authorized by a 75% vote of the City Council but was not utilized for the 2011-2012 budget. The 2011-2012 budget is approximately $18.3 million 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 April1 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	CollectedAs Of August 31 After Levy		Accumulated Collections As Of August 31, 2011	
		Amount	Percent	Amount	Percent
2011	$ 45,718,972	$ 44,206,917	96.69 %	$ 44,206,917	96.69 %
2010	45,197,040	$ 43,791,366	96.89	45,170,841	99.94
2009	45,884,670	44,385,970	96.73	45,867,726	99.96
2008	45,052,028	43,526,689	96.61	45,039,392	99.97
2007	43,291,440	41,815,295	96.59	43,284,921	99.98
2006	40,930,818	39,549,553	96.63	40,927,221	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
2002	33,731,282	32,482,000	96.30	33,720,019	99.97

TEN LARGEST TAXPAYERS

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

Taxpayers	Type of Business	2011 Assessed Valuations	Percentage Of Total Assessed Valuation
B & J Partnership Ltd.	Building Management	$ 78,862,600	0.50%
Burlington Northern	Railroad	71,668,442	0.45%
Kawasaki	Manufacturing	70,126,972	0.44%
Ameritas Life Insurance Corp	Insurance	61,017,194	0.38%
WEA Gateway LLC	Retail Management	56,997,083	0.36%
BryanLGH	Hospital	53,953,361	0.34%
Pfizer	Animal Health	47,060,705	0.30%
Nebco	Construction/Development	46,160,673	0.29%
Chateau Van Dorn LLC	Real Estate Development	45,364,619	0.29%
Black Hills Utility Holdings	Gas Utility	45,124,751	0.28%
		$ 576,336,400	3.63%

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
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
2002	45,393,491

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
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
2002	23,353,414	45,393,491	8,403	1,163,468	9,097,442	79,016,218

TAXABLE ASSESSED VALUATION
LAST TEN YEARS [1]

Tax Year		Real Estate	All Other	Total
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
2003		10,350,628,778	779,959,389	11,130,588,167
2002		9,903,888,713	820,797,124	10,724,685,837

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

TOTAL PROPERTY TAX LEVIES
ALL OVERLAPPING GOVERNMENTS
LAST TEN YEARS [1]

	Tax Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
City of Lincoln	0.2879	0.2879	0.2879	0.2879	0.2833	0.3009	0.2950	0.2903	0.3145	0.3145
School District No. 1	1.2462	1.2537	1.2668	1.2719	1.2764	1.3142	1.3141	1.3011	1.2830	1.2732
Lancaster County	0.2683	0.2683	0.2683	0.2755	0.2655	0.2841	0.2797	0.2683	0.2683	0.2583
Educational Service Unit #18	0.0145	0.0150	0.0150	0.0141	0.0141	0.0150	0.0150	0.0150	0.0150	0.0150
Community Technical College	0.0600	0.0676	0.0722	0.0689	0.0689	0.0696	0.0655	0.0655	0.0655	0.0636
Lower Platte South Natural Res. Dist.	0.0406	0.0410	0.0410	0.0418	0.0416	0.0422	0.0323	0.0323	0.0359	0.0365
Railroad Transportation Safety Dist.	0.0260	0.0260	0.0260	0.0260	0.0246	0.0260	0.0260	0.0248	0.0220	0.0221
Lancaster County Correctional JPA City	0.0189	0.0194	0.0195	-	-	-	-	-	-	-
Lancaster County Correctional JPA County	0.0106	0.0107	0.0106	-	-	-	-	-	-	-
Agricultural Society of Lancaster County	0.0017	0.0016	0.0015	0.0016	0.0016	0.0018	0.0020	0.0030	0.0012	0.0024
Lancaster County Fairgrounds	0.0038	0.0038	0.0038	0.0043	0.0037	0.0042	0.0042	0.0043	0.0050	0.0052
Public Building Commission	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170
	1.9955	2.0120	2.0296	2.0090	1.9967	2.0750	2.0508	2.0216	2.0274	2.0078

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

DEBT MANAGEMENT

OUTSTANDING INDEBTEDNESS AS OF AUGUST 31, 2011

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

Original Amount	Issued	Issue	Interest Rate	When Due	Date Callable	Interest Date	Outstanding
General Obligation Bonds:							
General Bonds:							
8,220	03/01/99	Various Purpose Series B	3.000 - 4.250	Serial 1999 to 2011	2007	Semiannually	$ 260
15,595	07/08/03	Various Purpose	2.625 - 3.750	Serial 2004 to 2017	2013	"	5,215
3,710	07/08/03	Various Purpose	4.000 / 4.125	Term 2020 & 2023	2013	"	3,710
9,950	06/15/05	Storm Sewer Construction	3.250 - 4.250	Serial 2006 to 2025	2015	"	7,660
8,295	06/27/07	Stormwater Drainage and Flood Mgmt	4.625 - 5.000	Serial 2008 to 2027	2017	"	7,265
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	"	19,290
	Total General Bonds						$ 51,600
Tax Allocation Bonds:							
1,035	04/21/04	Tax Allocation Bonds	2.000 - 3.200	Serial 2004 to 2011	2008	Semiannually	160
5,500	04/21/04	Tax Allocation Bonds	3.000 - 4.800	Serial 2004 to 2015	2010	"	2,880
365	08/15/05	Tax Allocation Bonds	4.750	Serial 2006 to 2018	Anytime	"	216
288	10/01/06	Tax Allocation Bonds	5.100	Serial 2008 to 2016	Anytime	"	188
2,205	04/05/07	Tax Allocation Bonds	5.000 - 5.550	Serial 2009 to 2018	2012	"	1,845
601	06/01/07	Tax Allocation Bonds	5.240	Serial 2008 to 2018	Anytime	"	561
388	06/01/07	Tax Allocation Bonds	5.240	Serial 2007 to 2020	Anytime	"	300
369	06/15/07	Tax Allocation Bonds	5.400	Serial 2007 to 2014	Anytime	"	190
42	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2021	Anytime	"	37
71	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2017	Anytime	"	63
474	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2022	Anytime	"	332
547	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	469
200	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	170
611	06/30/09	Tax Allocation Bonds	7.00	Serial 2011 to 2023	Anytime	"	609
3,375	07/28/09	Tax Allocation Bonds	2.500 - 6.400	Serial 2011 to 2023	Anytime	"	3,375
263	04/01/11	Tax Allocation Bonds	3.990	Serial 2011 to 2022	Anytime	"	263
	Total Tax Allocation Bonds						$ 11,658
Tax Supported Bonds:							
35,000	03/17/04	Highway Allocation Fund	2.000 - 5.000	Serial 2007 to 2023	2014	Semiannually	31,965
27,000	12/05/06	Highway Allocation Fund	4.000 - 5.000	Serial 2008 to 2027	2016	"	23,240
	Total Tax Supported Bonds						$ 55,205
Special Assessment Bonds:							
825	08/18/11	Special Assessment	0.400 - 3.700	Serial 2012 to 2026		Semiannually	825
375	08/18/11	Special Assessment	4.200	Term 2031		"	375
	Total Special Assessment Bonds						$ 1,200
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						$ 300,000
	TOTAL GENERAL OBLIGATION BONDS						$ 419,663
Tax Supported Bonds:							
11,080	3/13/02	Antelope Valley Project	1.500 - 5.000	Serial 2002 to 2016	2012	Semiannually	$ 5,920
Revenue Bonds:							
39,235	07/31/03	Wastewater Revenue	2.000 - 5.000	Serial 2004 to 2023	2013	Semiannually	$ 26,350
15,765	07/31/03	Wastewater Revenue	4.625 / 5.000	Term 2025 & 2028	2013	"	15,765
18,000	08/03/05	Wastewater Revenue	4.000 - 5.000	Serial 2006 to 2030	2015	"	15,000
16,710	04/18/07	Wastewater Revenue	4.000 - 4.500	Serial 2008 to 2029	2017	"	14,760
3,750	04/18/07	Wastewater Revenue	4.375	Term 2032	2017	"	3,750
	Total Wastewater Bonds						$ 75,625
11,850	11/22/02	Water Revenue	2.750 - 5.000	Serial 2005 to 2017	2012	Semiannually	6,180
6,660	11/22/02	Water Revenue	5.000	Term 2022	2012	"	6,660
32,180	05/01/03	Water Revenue	5.000	Serial 2004 to 2012	-	"	2,630
40,000	11/16/04	Water Revenue	3.000 - 5.000	Serial 2005 to 2025	2014	"	33,030
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
	Total Water Bonds						$ 63,920
4,360	12/18/01	Parking Revenue	3.750 - 5.000	Serial 2002 to 2017	2011	"	1,935
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	"	1,760
10,775	01/27/11	Parking Revenue and Refunding	5.000 / 5.125 / 5.500	Term 2026 & 2031	2021	"	10,775
	Total Parking Bonds						$ 23,855
4,000	08/17/06	Solid Waste Management Revenue	4.000 - 4.250	Serial 2007 to 2021	2013	Semiannually	$ 3,020
148,190	10/01/02	Electric Revenue and Refunding Bonds	4.000 - 5.000	Serial 2004 to 2025	2012	"	81,660
93,045	10/01/03	Electric Revenue and Refunding Bonds	3.000 - 5.000	Serial 2004 to 2026	2014	"	78,200
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	"	176,255
81,850	05/15/07	Electric Revenue and Refunding Bonds	4.500 / 4.750	Term 2034 & 2037	2016	"	81,850
	Total Electric Bonds						$ 566,230
	TOTAL REVENUE BONDS						$ 732,650

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
2012	$ 6,636	19,029	710	271	3,688	959
2013	8,563	19,575	740	238	3,284	889
2014	8,816	19,283	780	200	3,421	817
2015	9,061	18,971	815	162	3,511	738
2016	9,455	18,603	855	122	3,586	643
2017 - 2021	47,260	87,656	2,020	51	9,322	2,051
2022 - 2026	72,657	74,055	-	-	5,458	830
2027 - 2031	55,835	59,699	-	-	1,255	68
2032 - 2036	60,645	46,279	-	-	-	-
2037 - 2041	73,345	29,401	-	-	-	-
2042 - 2046	67,390	8,882	-	-	-	-
	$ 419,663	401,433	5,920	1,044	33,525	6,995

Fiscal Year Ended August 31	Business-Type Activities					
	Revenue Bonds		Loans Payable		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	$ 28,020	34,879	195	116	258	24
2013	27,010	33,539	307	112	198	18
2014	28,255	32,258	312	107	205	13
2015	29,500	30,887	318	101	152	7
2016	30,845	29,481	323	96	98	5
2017 - 2021	178,095	123,373	1,694	399	98	2
2022 - 2026	117,595	86,452	1,839	254	-	-
2027 - 2031	119,815	59,989	1,896	97	-	-
2032 - 2036	119,470	29,412	107	1	-	-
2037 - 2041	54,045	3,676	-	-	-	-
	$ 732,650	463,946	6,991	1,283	1,009	69

Fiscal Year Ended August 31	Major Enterprise Funds					
	Wastewater System		Water System		Electric System	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	$ 3,075	3,620	5,380	2,905	18,680	27,267
2013	3,287	3,500	3,310	2,647	19,610	26,333
2014	3,397	3,370	3,425	2,506	20,595	25,353
2015	3,522	3,217	3,555	2,354	21,620	24,323
2016	3,648	3,057	3,690	2,191	22,675	23,271
2017 - 2021	20,475	12,768	20,915	8,199	131,510	98,220
2022 -2026	25,189	7,816	16,315	3,406	71,630	72,415
2027 - 2031	18,611	2,161	4,240	1,266	90,790	55,355
2032 - 2036	1,412	58	3,090	283	115,075	29,072
2037 - 2041	-	-	-	-	54,045	3,676
	$ 82,616	39,567	63,920	25,757	566,230	385,285

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 $2,666,408, $3,016,975, $10,291,693, and $85,335 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	18,171,399	-
Improvements	219,925	-
Infrastructure	13,719,213	-
Machinery and Equipment	2,946,000	3,492,756
Construction In Progress	388,181	
Less Accumulated Depreciation, (where applicable)	(5,566,307)	(2,256,254)
Total	$ 31,652,861	$ 1,446,502

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, 2011, is summarized below (unaudited):

Governmental Units	Debt Outstanding	Estimated Percentage Applicable [1]	Direct And Overlapping Debt To The City
Direct:			
City	$ 419,663,000	100.0 %	$ 419,663,000
Overlapping:			
School District #1	362,755,000	99.5	360,941,000
Lower Platte South N.R.D.	-	75.4	-
Lancaster County	1,400,000	85.4	1,196,000
Public Building Commission	41,660,000	85.4	35,578,000
Lancaster County Correctional Facility	59,570,000	85.4	50,873,000
Lancaster County Fairgrounds	8,480,000	85.4	7,242,000
	473,865,000		455,830,000
Total	$ 893,528,000		$ 875,493,000

The City has no direct liability for the School District, Lower Platte South N.R.D., Lancaster County, Public Building Commission, Lancaster County Fairgrounds or Lancaster County Correctional Facility debt summarized above. This results in a per capita direct City debt of $1,624.21; a per capita direct and overlapping debt of $3,388.41; a ratio of direct City debt to 2011 actual valuation of 2.64 percent; and a ratio of direct and overlapping debt to 2011 actual valuation of 5.51 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, 2011, the Airport Authority had outstanding $9,080,000 in aggregate principal amount of its general obligation airport bonds. The Airport Authority anticipates that such bonds will be paid from revenues derived from its operations of the Lincoln Municipal Airport, but the Airport Authority is authorized to levy a property tax, at a rate not to exceed three and five-tenths cents ($.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
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
2002	4,921,172	2,421,303	7,342,475	157,069,075	4.67

[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
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%
2002	56,997,000	15,847,000	41,150,000	231,800	177.52	10,724,685,837	0.38%	9,903,888,713	0.42%

[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 Principal	Interest	Total	Coverage
Wastewater System							
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
2002	15,731,749	8,632,287	7,099,462	992,500	316,847	1,309,347	5.42
Water System							
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
2002	22,894,652	11,474,433	11,420,219	2,880,000	2,110,590	4,990,590	2.29
Golf							
2011	$ 2,766,603	2,683,690	82,913	365,000	14,783	379,783	0.22
2010	2,779,424	2,562,064	217,360	350,000	28,783	378,783	0.57
2009	3,133,238	2,516,538	616,700	335,000	41,848	376,848	1.64
2008	2,933,843	2,402,983	530,860	325,000	54,035	379,035	1.40
2007	2,926,985	2,463,827	463,158	315,000	65,060	380,060	1.22
2006	2,993,961	2,467,141	526,820	305,000	74,973	379,973	1.39
2005	3,135,875	2,568,462	567,413	295,000	83,823	378,823	1.50
2004	2,899,670	2,467,141	432,529	290,000	91,653	381,653	1.13
2003	2,648,552	2,408,947	239,605	280,000	98,513	378,513	0.63
2002	2,673,078	2,141,707	531,371	305,000	75,628	380,628	1.40
Parking Facilities [1,2]							
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
2002	5,483,546	1,964,389	3,519,157	1,115,000	924,470	2,039,470	1.73
Solid Waste Management							
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] Includes parking meter revenues that were deposited to the General Fund but are pledged per bond ordinance.

[2] Information in this table does not agree with information in the transmittal letter of the City's CAFR because that information is calculated in accordance with specific requirements of the bond covenants.

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

	F.Y. 2011	F.Y. 2010	F.Y. 2009	F.Y. 2008	F.Y. 2007	F.Y. 2006	F.Y. 2005	F.Y. 2004	F.Y. 2003	F.Y. 2002
Cash & Investment Balance - September 1 of Year Indicated	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	24,802,768
Receipts:										
Property Tax	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	23,353,414
City Sales & Use Tax	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	45,393,492
Other Income	33,232,580	27,906,103	27,389,492	26,270,119	27,663,641	25,390,112	25,620,145	23,615,320	24,933,838	26,342,414
Total Receipts	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	95,089,320
Less Disbursements	120,296,470	116,006,808	114,880,707	113,078,869	111,922,258	113,499,594	110,701,849	103,295,044	96,176,339	93,302,095
Cash & Investment Balance - August 31 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

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

	F.Y. 2011	F.Y. 2010	F.Y. 2009	F.Y. 2008	F.Y. 2007	F.Y. 2006	F.Y. 2005	F.Y. 2004	F.Y. 2003	F.Y. 2002
Cash Balance - September 1 of Year Indicated	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	3,099,198
Receipts:										
Property Tax	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	6,340,938
Interest Income	28,331	60,063	131,475	153,977	84,935	86,812	83,286	48,595	32,298	53,873
Bond Proceeds	20,236,484						6,597,635		9,436,083	
Other Income	116,758	124,279	173,446	1,003,173	1,927,112	2,935,603	149,038	691,340	240,110	232,009
Total Receipts	25,719,183	5,702,220	5,993,928	6,866,604	7,472,737	5,995,825	12,437,574	6,127,403	15,592,083	6,626,820
Disbursements:										
Bonds Paid	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	4,137,254
Bonds Defeased									9,609,774	
Interest Paid	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	2,144,322
Transfer to Trustee	21,746,822						6,504,876			
Other Disbursements	204,668	6,398	6,438	5,430	9,530	6,360	91,440	6,295		3,905
Total Disbursements	26,425,447	6,294,943	6,661,849	6,721,803	6,177,140	6,598,942	12,643,523	5,492,843	16,096,623	6,285,481
Equity Transfer										
Cash Balance - August 31 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

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

	F.Y. 2011	F.Y. 2010	F.Y. 2009	F.Y. 2008	F.Y. 2007	F.Y. 2006	F.Y. 2005	F.Y. 2004	F.Y. 2003	F.Y. 2002
Cash & Investment Balance - September 1 of Year Indicated	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	3,778,207
Receipts:										
Special Assessment Collections	996,209	984,301	954,672	1,235,621	1,257,112	1,476,284	1,208,686	1,654,695	1,271,575	1,360,347
Interest on Special Assessments	106,379	148,383	112,749	179,258	188,349	189,927	204,108	267,298	346,725	294,839
City's Share of Costs	233,615	292,420	34,802		187,957	723,038	578,992	116,009	97,107	2,145,574
Developers' Share of Costs										4,617
Bond Proceeds	1,200,000									
Interest on Investments	60,248	135,149	335,273	453,282	340,274	254,809	217,996	140,289	130,555	137,143
Miscellaneous	38,456			33,964	49,403	74,657	30,687	288,482	195,535	474,438
Total Receipts	2,634,907	1,560,253	1,437,496	1,902,125	2,023,095	2,718,715	2,240,469	2,466,773	2,041,497	4,416,958
Disbursements:										
Construction Costs	2,081,765	1,113,691	861,203	742,698	766,768	1,066,513	1,796,239	1,399,323	1,560,456	1,090,434
Bonds Paid					55,000		100,000	105,000	105,000	110,000
Equity Transfer			7,554,009							
Interest Paid on Bonds & Notes	3,758,342				37,581		3,425	10,420	17,534	24,762
Other Refunds & Expenses	337,877	306,016	8,719	2,334	18,693	389,453	588,056	32,495	34,173	383,336
Total Disbursements	6,177,984	1,419,707	8,423,931	745,032	878,042	1,455,966	2,487,720	1,547,238	1,717,163	1,608,532
Cash & Investment Balance - August 31 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

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APPENDIX B

SOLID WASTE MANAGEMENT FUND FINANCIAL STATEMENTS

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City of Lincoln, Nebraska
Solid Waste Management Fund

Accountants' Report and Financial Statements

August 31, 2012 and 2011

BKD LLP
CPAs & Advisors

City of Lincoln, Nebraska
Solid Waste Management Fund
August 31, 2012 and 2011

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BKD LLP
CPAs & Advisors

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Lincoln, NE 68508-1461
402.473.7600 Fax 402.473.7698 www.bkd.com

Independent Accountants' Report on Financial Statements

The Honorable Mayor
and Members of the City Council
Solid Waste Management Fund
City of Lincoln, Nebraska

We have audited the accompanying basic financial statements of the Solid Waste Management Fund of the City of Lincoln, Nebraska as of and for the years ended August 31, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Lincoln, Nebraska. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Solid Waste Management Fund and do not purport to, and do not, present fairly the financial position of the City of Lincoln, Nebraska, as of August 31, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Solid Waste Management Fund of the City of Lincoln, Nebraska as of August 31, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

BKD, LLP

February 8, 2013

experience BKD

Praxity

City of Lincoln, Nebraska
Solid Waste Management Fund
Statements of Net Assets
August 31, 2012 and 2011

Assets

	2012	2011
Current Assets		
Equity in pooled cash and investments	$ 2,127,985	$ 4,914,336
Accounts receivable	1,027,780	1,286,960
Accrued interest receivable	11,263	22,174
Due from other City funds, net	78,088	175,055
Due from other governments	6,519	4,305
Total current assets	3,251,635	6,402,830
Noncurrent Assets		
Equity in pooled cash and investments	1,888,578	-
Restricted assets		
Equity in pooled cash and investments	406,344	399,245
Accrued interest receivable	1,077	1,459
Due from other City funds	7,811	14,114
Total restricted assets	415,232	414,818
Capital Assets, Net	22,430,829	22,340,099
Deferred Bond Issuance Costs	52,853	57,005
Total noncurrent assets	24,787,492	22,811,922
Total assets	28,039,127	29,214,752

Liabilities

Current Liabilities		
Accounts payable	219,058	547,087
Accrued liabilities	80,829	64,156
Accrued compensated absences	94,129	99,106
Due to other governments	58,449	69,959
Accrued interest payable	9,604	10,338
Current portion of long-term debt	225,000	220,000
Total current liabilities	687,069	1,010,646
Noncurrent Liabilities		
Other accrued liabilities	88,183	74,890
Accrued closure/post-closure care costs	15,436,000	14,632,000
Long-term debt	2,583,802	2,809,494
Total noncurrent liabilities	18,107,985	17,516,384
Total liabilities	18,795,054	18,527,030

Net Assets

Invested in capital assets, net of related debt	19,912,011	19,267,574
Restricted for capital projects	15,233	14,817
Unrestricted	(10,683,171)	(8,594,669)
Total net assets	$ 9,244,073	$ 10,687,722

See Notes to Financial Statements

City of Lincoln, Nebraska
Solid Waste Management Fund
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended August 31, 2012 and 2011

	2012	2011
Operating Revenues		
Fees	$ 5,084,270	$ 5,074,836
Other	609,458	486,422
Total operating revenues	5,693,728	5,561,258
Operating Expenses		
Personal services	2,255,989	2,186,884
Operation and maintenance	3,006,301	3,057,166
Depreciation	1,924,210	1,969,068
Estimated closure and post-closure care costs	804,000	1,142,000
Total operating expenses	7,990,500	8,355,118
Operating loss	(2,296,772)	(2,793,860)
Nonoperating Revenue (Expense)		
Occupation tax	2,048,615	2,059,361
Investment income (loss)	3,222	(5,489)
Gain on disposal of capital assets	36,632	-
Interest expense and fiscal charges	(127,103)	(135,379)
Other	5,587	7,508
Total net nonoperating revenues	1,966,953	1,926,001
Deficit of Revenues Over Expenses Before Transfers	(329,819)	(867,859)
Transfers Out to Other City Funds	(1,113,830)	(1,009,083)
Decrease in Net Assets	(1,443,649)	(1,876,942)
Net Assets, Beginning of Year	10,687,722	12,564,664
Net Assets, End of Year	$ 9,244,073	$ 10,687,722

See Notes to Financial Statements

City of Lincoln, Nebraska
Solid Waste Management Fund
Statements of Cash Flows
Years Ended August 31, 2012 and 2011

	2012	2011
Operating Activities		
Receipts from customers and users	$ 5,265,716	$ 4,885,292
Payments to suppliers for goods and services	(3,011,299)	(3,135,883)
Payments to employees	(2,231,000)	(2,144,255)
Other receipts	609,458	486,422
Net cash provided by operating activities	632,875	91,576
Noncapital Financing Activities		
Occupation tax receipts	2,124,861	1,987,948
Transfers to other funds	(1,113,830)	(1,009,083)
Payments from other funds	101,017	249,726
Net cash provided by noncapital financing activities	1,112,048	1,228,591
Capital and Related Financing Activities		
Purchase of capital assets	(2,347,956)	(4,207,912)
Proceeds from sale of capital assets	36,632	-
Principal payments of long-term debt	(220,000)	(210,000)
Interest paid on long-term debt	(124,375)	(132,775)
Other	5,587	7,508
Net cash used in capital and related financing activities	(2,650,112)	(4,543,179)
Investing Activities		
Purchases of investments	(6,927,311)	(3,297,734)
Proceeds from sale and maturities of investments	7,196,661	4,985,286
Interest and other receipts	34,453	102,186
Net cash provided by investing activities	303,803	1,789,738
Decrease in Cash and Cash Equivalents	(601,386)	(1,433,274)
Cash and Cash Equivalents, Beginning of Year	907,088	2,340,362
Cash and Cash Equivalents, End of Year	$ 305,702	$ 907,088

The table below summarizes the amount of cash and cash equivalents included within each financial statement line item caption on the Statements of Net Assets:

Reconciliation of Cash and Cash Equivalents to the Statements of Net Assets		
Equity in pooled cash and investments - current	$ 281,003	$ 843,055
Equity in pooled cash and investments - restricted	24,699	64,033
	$ 305,702	$ 907,088

City of Lincoln, Nebraska
Solid Waste Management Fund
Statements of Cash Flows - Continued
Years Ended August 31, 2012 and 2011

	2012	2011
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating loss	$ (2,296,772)	$ (2,793,860)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	1,924,210	1,969,068
Changes in operating assets and liabilities		
Accounts receivable	182,933	(192,069)
Due from other City funds, net	2,252	2,769
Due to/from other governments, net	(13,724)	(6,859)
Accounts payable	4,987	(72,102)
Accrued liabilities	30,242	30,959
Accrued compensated absences	(5,253)	11,670
Closure/post-closure care costs	804,000	1,142,000
Net Cash Provided by Operating Activities	$ 632,875	$ 91,576
Supplemental Cash Flows Information		
Payables incurred for acquisition of capital assets	$ 110,015	$ 443,031
Change in fair value of investments	$ (19,938)	$ (85,888)

City of Lincoln, Nebraska
Solid Waste Management Fund
Notes to Financial Statements
August 31, 2012 and 2011

Note 1: Summary of Significant Accounting Policies

Organization and Nature of Operations

The Solid Waste Management Fund (the "Fund") is an enterprise fund of the City of Lincoln, Nebraska (the "City") that is used to account for operations related to the management of solid wastes generated within the City of Lincoln and Lancaster County.

The solid waste operation facilities are owned by the City, and operated under the direction of the Mayor and the City Council. The authority to adopt the annual budget, to incur debt and to establish fees, rates and charges is vested in the City Council by the City charter.

The financial statements present only the Fund and do not purport to, and do not, present fairly the financial position of the City as of August 31, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Measurement Focus and Basis Of Accou nting

The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Fund applies all applicable Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 that do not conflict with or contradict pronouncements of the Governmental Accounting Standards Board.

The Fund first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

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.

Note 1: Summary of Significant Accounting Policies - Continued

Deposits and Investments

The City Treasurer is responsible for the safekeeping of cash and invested funds of the Fund. The City is authorized to invest in "certificates of deposit, time deposits, and 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." Cash balances in excess of current requirements are invested along with cash from other City funds and the 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.

For purposes of the Statements of Cash Flows, the Fund considers cash on hand and in the bank, as well as cash and equity in pooled cash and investments held by the City Treasurer, which are readily convertible to known amounts of cash and have original maturities of three months or less, to be cash and cash equivalents.

The Fund participates in a cash management pool managed by the City. The pool consists of bank deposits and investments. The Fund's interest in this pool is shown as equity in pooled cash and investments in the statements 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.

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

Accounts Receivable

Accounts receivable are stated at amounts billed to customers and include both fees and occupation taxes. Accounts receivable are issued monthly statements which are due on the last day of the month. Accounts unpaid by the due date are assessed a late fee of 1% monthly. Management does not believe an allowance for doubtful accounts is necessary at August 31, 2012 and 2011. At August 31, 2012 and 2011, approximately 39% and 23% of accounts receivable were owed from two and one customers, respectively.

Note 1: Summary of Significant Accounting Policies - Continued

Capital Assets

The cost of additions and replacements to land, buildings, improvements other than buildings and equipment in service is capitalized. Cost includes acquisition price, negotiation and appraisal services and payments to contractors. The cost of land, buildings, improvements and equipment along with the related accumulated depreciation is removed from the books at time of disposal and a gain or loss is recognized. Expenditures for maintenance and repairs are charged to current expenses. Depreciation expense is calculated on the straight-line method over the estimated useful lives of the assets. Depreciation expense recognized on contributed assets is charged to operations in accordance with similar capital assets.

Estimated Useful Lives	
Buildings	10 - 25 years
Improvements other than buildings	10 - 25 years
Machinery and equipment	5 - 10 years

Deferred Bond Issuance Costs

Costs related to the issuance of long-term debt are deferred and amortized over the term of the related debt using the bonds-outstanding method.

Compensated Absences

Employees 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. Employees earn sick leave at the rate of approximately one day per month. Upon retirement, an employee is reimbursed for one-half or up to 65% of accumulated sick leave. In some cases payment may be placed in a medical spending account rather than reimbursing the employee directly.

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 Fund 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 Fund will compensate the employees for such benefits through cash payments conditioned on the employee's termination or retirement. 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.

Note 1: Summary of Significant Accounting Policies - Continued

Other Post-Employment Benefits

The Fund recorded a liability for the annual required contribution (ARC) of approximately $64,000 and $51,000 as of August 31, 2012 and 2011, respectively, in connection with GASB Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* The complete disclosures required by GASB 45 are included in the City of Lincoln Comprehensive Annual Financial Report (CAFR).

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.

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."

Operating and Nonoperating Revenues and Expenses

As an enterprise fund, the Fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Fund's principal ongoing operations. Operating revenues include all fees charged for the disposal of solid waste less occupation tax, and other revenues including those from the sale of recyclable materials and rental of property. Operating expenses include personnel costs, the cost of materials and services for operation and maintenance, depreciation on capital assets and closure and post-closure care costs.

All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Occupation tax, investment income, interest expense and gain/loss on disposal of assets are classified as nonoperating revenues or expenses.

Note 1: Summary of Significant Accounting Policies - Continued

Operating and Nonoperating Revenues and Expenses - Continued

Fund revenue is generated by a fee based on $14.00 per ton for refuse disposed of in the City's municipal solid waste landfill; an occupation tax of $7.00 for each ton of refuse collected within the corporate limits of the City of Lincoln by a refuse hauler, and on refuse collected outside the corporate limits of the City of Lincoln by a refuse hauler and disposed of in the City's municipal solid waste landfill; other fees authorized by the City Council; and nonoperating revenues.

Note 2: Deposits, Investments and Investment Return

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 Fund has been allocated a portion of the City's pooled cash and investments. Pursuant to legislation enacted in 2010, the FDIC fully insured all noninterest-bearing transaction accounts beginning December 31, 2010 through December 31, 2012, at all FDIC-insured institutions. This legislation expired on December 31, 2012. 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. No legal opinion has been obtained regarding the enforceability of any of the collateral arrangements.

All of the Fund's cash and investments at August 31, 2012 and 2011, totaling $4,422,907 and $5,313,581, respectively, were comprised of an allocation of the City's pooled cash and investments.

City of Lincoln, Nebraska
Solid Waste Management Fund
Notes to Financial Statements
August 31, 2012 and 2011

Note 3: Capital Assets

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	$ 1,540,452	$ -	$ -	$ -	$ 1,540,452
Construction in progress	4,873,717	669,922	-	(5,104,060)	439,579
Total capital assets, not being depreciated	6,414,169	669,922	-	(5,104,060)	1,980,031
Capital assets, being depreciated:					
Buildings	2,076,504	-	-	-	2,076,504
Improvements other than buildings	28,149,231	90,990	-	5,104,060	33,344,281
Machinery and equipment	6,215,385	1,254,028	1,188,774	-	6,280,639
Total capital assets, being depreciated	36,441,120	1,345,018	1,188,774	5,104,060	41,701,424
Less accumulated depreciation for:					
Buildings	1,173,374	89,853	-	-	1,263,227
Improvements other than buildings	14,906,901	1,464,472	-	-	16,371,373
Machinery and equipment	4,434,915	369,885	1,188,774	-	3,616,026
Total accumulated depreciation	20,515,190	1,924,210	1,188,774	-	21,250,626
Total capital assets, being depreciated, net	15,925,930	(579,192)	-	5,104,060	20,450,798
Capital assets, net	$ 22,340,099	$ 90,730	$ -	$ -	$ 22,430,829

City of Lincoln, Nebraska
Solid Waste Management Fund
Notes to Financial Statements
August 31, 2012 and 2011

Note 3: Capital Assets - Continued

Capital asset activity for the year ended August 31, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	$ 1,540,452	$ -	$ -	$ -	$ 1,540,452
Construction in progress	246,046	4,627,671	-	-	4,873,717
Total capital assets, not being depreciated	1,786,498	4,627,671	-	-	6,414,169
Capital assets, being depreciated:					
Buildings	2,069,721	6,783	-	-	2,076,504
Improvements other than buildings	28,141,665	7,566	-	-	28,149,231
Machinery and equipment	6,209,457	5,928	-	-	6,215,385
Total capital assets, being depreciated	36,420,843	20,277	-	-	36,441,120
Less accumulated depreciation for:					
Buildings	1,083,521	89,853	-	-	1,173,374
Improvements other than buildings	13,403,586	1,503,315	-	-	14,906,901
Machinery and equipment	4,059,015	375,900	-	-	4,434,915
Total accumulated depreciation	18,546,122	1,969,068	-	-	20,515,190
Total capital assets, being depreciated, net	17,874,721	(1,948,791)	-	-	15,925,930
Capital assets, net	$ 19,661,219	$ 2,678,880	$ -	$ -	$ 22,340,099

The fund has commitments under major construction contracts in progress of approximately $786,000 at August 31, 2012.

City of Lincoln, Nebraska
Solid Waste Management Fund
Notes to Financial Statements
August 31, 2012 and 2011

Note 4: Long-term Obligations

Long-term liability activity for the years ended August 31, 2012 and 2011 was as follows:

	2012				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
Revenue bonds, Series 2006	$ 3,020,000	$ -	$ 220,000	$ 2,800,000	$ 225,000
Deferred for issuance premium	9,494	-	692	8,802	-
Net bonds payable	3,029,494	-	220,692	2,808,802	225,000
Other liabilities					
Other accrued liabilities	173,996	107,422	99,106	182,312	94,129
Closure/post-closure care costs	14,632,000	804,000	-	15,436,000	-
Total long-term liabilities	$ 17,835,490	$ 911,422	$ 319,798	$ 18,427,114	$ 319,129

	2011				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
Revenue bonds, Series 2006	$ 3,230,000	$ -	$ 210,000	$ 3,020,000	$ 220,000
Deferred for issuance premium	10,154	-	660	9,494	-
Net bonds payable	3,240,154	-	210,660	3,029,494	220,000
Other liabilities					
Other accrued liabilities	142,378	119,922	88,304	173,996	99,106
Closure/post-closure care costs	13,490,000	1,142,000	-	14,632,000	-
Total long-term liabilities	$ 16,872,532	$ 1,261,922	$ 298,964	$ 17,835,490	$ 319,106

Other accrued liabilities include compensated absences and other post-employment benefits.

During fiscal year 2006, $4,000,000 of revenue bonds were issued to finance improvements to the City's solid waste management facilities. Interest rates on the bonds range from 4.00% to 4.25% and interest is payable semi-annually. Annual principal installments are due August 1, increasing from $185,000 in 2007 to the final payment of $710,000 in 2021. The net revenues derived from the operations of the Fund are pledged as security for the revenue bonds.

Note 4: Long-term Obligations - Continued

The debt service requirements as of August 31, 2012 are as follows:

Year Ending August 31	Principal	Interest	Total
2013	$ 225,000	$ 115,225	$ 340,225
2014	235,000	106,225	341,225
2015	245,000	96,825	341,825
2016	255,000	87,025	342,025
2017	270,000	76,825	346,825
2018-2021	1,570,000	193,738	1,763,738
	$ 2,800,000	$ 675,863	$ 3,475,863

Note 5: Risk Management

The Fund participates in the City's self-insurance program administered by the City's Risk Management Division. 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. The City has a self-insured retention for workers' compensation exposures up to $800,000 per individual; building and contents exposures up to $50,000 per occurrence; general liability exposures up to $250,000 per occurrence; public officials exposures up to $250,000 per occurrence; auto liability exposures up to $250,000, and employee long-term disability.

Workers' compensation, general liability, and public officials liability are covered by excess insurance which provides statutory limits above the City's retention. Auto liability is covered by a policy which provides a limit of $6 million. The Nebraska Political Tort Claims Act limits the City's liability for tort claims to $1 million per individual and $5 million per occurrence. Settled claims have not exceeded coverage in any of the past three fiscal years.

Premium amounts are paid to the Insurance Revolving Fund, including an estimate of the liability for claims incurred but not yet reported as of August 31, 2012 and 2011. The Fund incurred insurance expense of approximately $48,000 in 2012 and $62,000 in 2011.

Note 6: Closure and Post-closure 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 post-closure 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 post-closure 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 and 2011, the City had established a closure/post-closure cost liability of $10,534,000 and $9,774,000, respectively, for the municipal solid waste landfill which represents the amount of estimated costs reported to date based on the approximately 50% and 50% of landfill capacity used to date, respectively. The remaining estimated liability for these costs is approximately $10.4 million, which will be recognized as the remaining capacity is used (estimated to be approximately 25 years).

At August 31, 2012 and 2011, the City had established a closure/post-closure cost liability of $500,000 and $600,000, respectively, for the construction and demolition debris landfill which represents the amount of estimated costs reported to date based on the approximately 50% and 55% of landfill capacity used to date, respectively. 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 post-closure care, as determined by an independent engineering consultant, are subject to changes such as the effects of inflation, revision of laws, changes in technology, actual sequence of landfill development and closure and other variables.

The City of Lincoln also owns a solid waste disposal area which discontinued operations in 1990. Although exempt from the U.S. Environmental Protection Agency Solid Waste Disposal Criteria issued October 9, 1991, the City still adheres to certain closure and post-closure care requirements under prior legislation, including the construction of final cover, monitoring of groundwater conditions and landfill gas migration and general site maintenance. At August 31, 2012 and 2011, a liability for closure and post-closure care costs is recorded in the amount of $4,402,000 and $4,258,000, respectively. If any unanticipated corrective action costs related to landfill gas migration or groundwater contamination are identified through current monitoring procedures, an additional accrued liability will be recorded once these costs can be reasonably estimated.

Note 7: Pension Plan

Employees are eligible after six 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 five years service. Vesting occurs in increments between three and seven years of enrollment in the plan. The Plan is 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.

	2012	2011
Total payroll	$ 1,533,898	$ 1,463,493
Covered payroll	1,507,651	1,375,912
Employee contributions	87,017	78,181
Employee contributions as a percentage of covered payroll	5.77%	5.68%
Employer contributions	$ 171,991	$ 156,757
Employer contributions as a percentage of covered payroll	11.41%	11.39%

Note 8: Related Party Transactions

The City provides certain administrative services to the Fund for which the Fund pays fees to the City. These fees amount to approximately $277,000 and $201,000 for the years ended August 31, 2012 and 2011, respectively.

The City of Lincoln General Fund has borrowed monies from the pooled cash and investment account. The Fund's allocated share of the borrowing was $84,238 and $185,256 as of August 31, 2012 and 2011, respectively. Amounts due from other City funds for solid waste fees are $5,154 and $5,881 as of August 31, 2012 and 2011.

APPENDIX C

CITY OF LINCOLN GENERAL FINANCIAL STATEMENTS

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COMPREHENSIVE

ANNUAL FINANCIAL REPORT

OF THE

CITY OF LINCOLN, NEBRASKA

FOR THE FISCAL YEAR ENDED AUGUST 31, 2011

Prepared by:

The Accounting Division of the Finance Department

INTRODUCTORY SECTION

OFFICIALS OF THE CITY OF LINCOLN

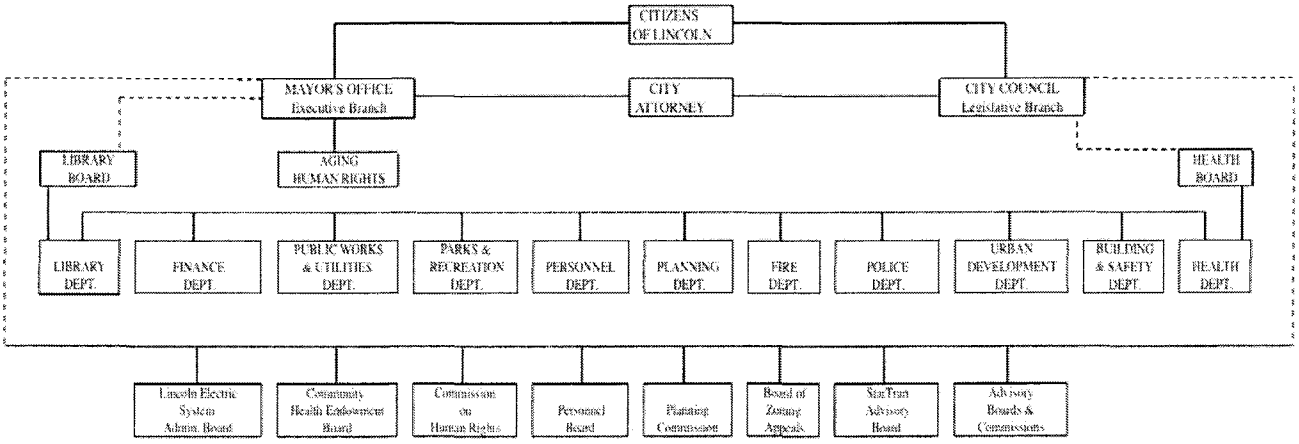
Chris Beutler ..... Mayor
Eugene Carroll ..... Chair, City Council
Adam Hornung ..... Vice Chair, City Council
Jon Camp ..... Council Member
Jonathan Cook ..... Council Member
Doug Emery ..... Council Member
Carl Eskridge ..... Council Member
DiAnna Schimek ..... Council Member

* * * * * *

Steve Hubka ..... Interim Finance Director
Marvin Krout ..... Planning Director
Lynn Johnson ..... Parks and Recreation Director
Kevin Wailes ..... Lincoln Electric System Administrator
David Landis ..... Urban Development Director
Pat Leach ..... Library Director
Miki Esposito ..... Interim 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, 2011
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CITY OF LINCOLN
FOUNDED JULY 29, 1867
SEAL
INCORPORATED APRIL 7, 1869
LANCASTER COUNTY, NEBRASKA

CITY OF LINCOLN
NEBRASKA

MAYOR CHRIS BEUTLER
lincoln.ne.gov

Office of the Mayor
555 South 10th Street
Suite 301
Lincoln, Nebraska 68508
402-441-7511
fax: 402-441-7120
mayor@lincoln.ne.gov

February 17, 2012

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, 2011.

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 2010 report submitted to the Government Finance Officers Association was recognized with the prestigious Certificate of Achievement for Excellence in Financial Reporting for the 28th consecutive year. This recognition is a credit to the City and a compliment to our dedicated Finance Department.

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

Sincerely,

Chris Beutler
Mayor of Lincoln

LINCOLN
The Community of Opportunity

CITY OF LINCOLN
NEBRASKA

Finance Department
Steve Hubka, Interim Finance Director
555 South 10th Street
Suite 103
Lincoln, Nebraska 68508

402-441-7411
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MAYOR CHRIS BEUTLER

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LINCOLN
The community of opportunity

February 17, 2012

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, 2011, 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.

In 2011, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as required for GAAP reporting. As a result, the City's General Fund, as reported on page 18, now includes approximately $8.4 million of additional beginning fund balance from what the City budgeting and accounting structure considers to be other independent funds. Management believes that this change decreases the usefulness of the financial reports, in particular the Governmental Funds Balance Sheet. In order to make comparisons to prior year information for our internal reporting purposes, reviewers will be required to reference other lower level statements and footnotes.

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, 2011, 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, 2011, 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 258,000, 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 Facilities, Community Health Permanent Endowment Trust, and West Haymarket Joint Public Agency.

The annual 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 fiscal year, 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 annual 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 77.96 percent since 1960. Lancaster County's rate of growth between 2000 and 2010 has been 14.0 percent or approximately 1.36 percent per year. The 2010 population of Lancaster County has been estimated to be in excess of 285,000 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, 2011, was 3.7%, well below the national average of 9.1%, with employment strongest in the categories of government, educational & health services, and retail trade. Lincoln's current number of construction permits is down 14% when compared to levels 5 years ago, with a corresponding decrease in the value of construction permits of over $80 million.

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

Net sales and use tax revenue increased $2,633,412 or 4.8% from the previous fiscal year. In relation to this primary revenue source, the City is seeing slight 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 $19 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, Economic Development Initiative, 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 projects include:

- Downtown Redevelopment Projects:
  1) Block 38 Catalyst One site.
  2) Civic Plaza project.
  3) West Haymarket Residential/Retail/Hotel project.
  4) North Haymarket Arts & Humanities Block.
  5) Block 85.
  6) Construction of Haymarket area parking garage.
  7) Telesis/Meadow Gold project.
  8) Haymarket Hotel and Tool House.
  9) N Street Corridor planning.
  10) P Street Retail Corridor planning.
  11) Centennial Mall project.
  12) 17th & Q/Credit Union project.
  13) Replace downtown meters with advanced technology.
- 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) Plaza Parkway Triangle, phase 1 – Assurity project site.
  2) 19th & K - WJS project site.
  3) 23rd & P – Antelope Creek Village.
- 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 Malone and South Capitol.
- 11th Street streetscape.
- Prescott Street streetscape, 47th to 48th.
- 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:
  - ✓ Antelope Valley transportation projects.
  - ✓ Antelope Valley redevelopment plan catalyst projects.
  - ✓ West Haymarket transportation 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.
  - ✓ North 1st Street, Cornhusker Hwy to Superior Street.
  - ✓ RTSD Quiet Zone project.
  - ✓ East Beltway preliminary acquisitions.
  - ✓ South Beltway preliminary acquisitions.
  - ✓ Arterial rehab, executive order, traffic signal, and Federal Infrastructure Stimulus funded projects.

2) For environmental quality:
- ✓ Park sites city-wide.
- ✓ Antelope Valley storm water projects.
- ✓ Stevens Creek sanitary sewer Phase III, IV & V.
- ✓ Yankee Hill water main, 56th to 84th Street.
- ✓ 98th Street water main, Holdrege to Alvo.
- ✓ 56th & Arbor Road sewer and water district 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.
- ✓ Antelope Valley projects.

- 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 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 Operation ABLE, Goodwill Industries, Vocational Rehabilition, Nebraska Department of Labor, and Experience Works. Over 20,000 individuals and 500 employers use the Center annually.

  Examples of specialized projects this year include:
  1) "The Metro SyNErgy" project in Lincoln and Omaha providing 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) 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-facted endeavor to revitalize the 100 acres of 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 16,000 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 improvement, landscaping, trails and walkways, pedestrian bridges, and environmental enhancements. The overall project cost is estimated to be approximately $340 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 stormwater, transportation and community revitalization strategies.

The stormwater and transportation portions of the project are scheduled for substantial completion in 2012. Redevelopment projects have begun and will progress as flood control work is completed. The channel work needed for re-mapping of the floodplain was completed in 2010.

Projects completed include Fleming Field, Lewis Fields; Military, Y Street, and Vine Street bridges and roadways; the BNSF overpass and roadway (Big T & East Leg Bridge and Roadway) near Devaney Center; channel work between Salt Creek and J Street; the BNSF railroad bridge project over Antelope Creek; landscaping work on the Military, Y Street, Vine Street, Vine to Y, P to Vine, East Leg and Big T roadway projects and the BNSF overpass project; roadway construction between P and Y streets; and the J, P, Q, and O Street bridges and roadways.

Work on the north/south roadway between K and P and the South Street bridge project began in 2011 and will be completed in 2012.

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

Wastewater System

The Lincoln Wastewater System is projecting a capital improvements program in the amount of approximately $61,738,000 over the 6-year period of fiscal year 2011-12 through fiscal year 2016-17. Of that total, approximately $29,685,000 will be financed by revenue bonds, approximately $4,470,500 will be financed by impact fees, $640,000 from TIF funding, with the remaining $26,942,500 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 $61,380,000 over the 6-year period of fiscal year 2011-12 through 2016-17. Of these dollars, approximately $20,575,000 will be financed through revenue bonds, approximately $4,510,000 will be financed from TIF funding, approximately $5,900,000 will be financed through impact fees, with the balance of $30,395,000 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 2012-2017 Streets and Highways capital improvements program and Transportation improvement program identify average annual expenditures of $26 million for the next six years. Funding for these projects includes $102 million in City revenues, $33 million in federal aid, and $21 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 three of four civilian unions, as well as non union employees which includes Department Directors and Mayoral Aides, have agreed to change these plans to a $1.29 to $1 match for new employees hired after the effective date. 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, 2011, current tax collections by the County Treasurer were 96.69% of the tax levy, a decrease of .20% from last year. Allocations of property tax levy by purpose are as follows:

City Tax Levy by Purpose	2010-2011	2009-2010	2008-2009
General Fund	.1739	.1772	.1806
Library	.0398	.0398	.0396
Social Security	.0141	.0097	.0129
Police and Fire Pension	.0261	.0251	.0201
General Obligation Debt	.0340	.0361	.0347
	.2879	.2879	.2879

Parking Facilities

The City of Lincoln operates the following parking garages:

Facility	Number of Stalls	Date Opened
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	420	August, 2002

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 unappropriated 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:

	2010-2011	2009-2010
Operating Revenues	$ 7,124,602	6,747,738
Operating Income Before Depreciation	3,518,594	3,407,137
Debt Service	1,944,138	1,998,056
Debt Service Coverage Ratio	1.81	1.71

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, 2011, the City estimates that it will incur costs approximating $21 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:

Wastewater System	2010-2011	2009-2010
Operating Revenues	$22,973,653	21,703,427
Operating Income	3,301,436	2,875,498
Revenue Available For Debt Service	11,002,406	10,807,502
Debt Service	6,512,609	6,426,444
Debt Service Coverage Ratio	1.69	1.68

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:

Water System	2010-2011	2009-2010
Operating Revenues	$28,559,484	25,135,127
Operating Income	5,459,411	3,881,476
Revenue Available For Debt Service	15,174,479	12,424,175
Debt Service	9,501,857	9,508,097
Debt Service Coverage Ratio	1.60	1.31

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, 2010, is included in the City's August 31, 2011, 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, 2010. This was the twenty-eighth 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

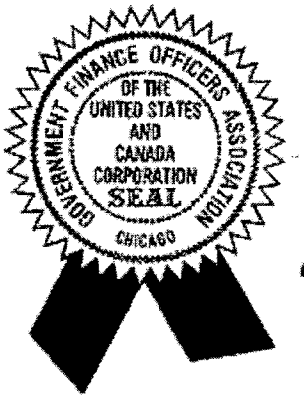
Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lincoln Nebraska

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
August 31, 2010

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.



President

Executive Director

CITY OF LINCOLN
FOUNDED JULY 29, 1867
SEAL
INCORPORATED APRIL 7, 1869
LANCASTER COUNTY, NEBRASKA

FINANCIAL SECTION

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CPAs & Advisors

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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, 2011, 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%, 34% and 78%, 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, 2010, and in our report dated February 23, 2011, 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, 2011, 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.

As discussed in Note 1, in 2011 the City changed its method of accounting for fund balances through retroactive application to prior year's financial statements.

The accompanying management's discussion and analysis and the schedules of funding progress and employer contributions as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other accountants have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 and statistical section as listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

BKD, LLP

February 17, 2012

CITY OF LINCOLN
FOUNDED JULY 29, 1867
SEAL
INCORPORATED APRIL 7, 1869
LANCASTER COUNTY, NEBRASKA

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, 2011. 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, 2011, by $1,599,891,832 (net assets). Of this amount, $321,043,795 (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 $53,322,049. Of this amount, $27,824,537, or 52 percent, was an increase in governmental activities and $25,497,512, or 48 percent, related to business-type activities.

- As of August 31, 2011, the City's governmental funds reported combined ending fund balances of $426,496,342, an increase of $239,607,770 in comparison with the prior year. Of this total fund balance, 12 percent, or $50,502,001, is available for spending at the City's discretion (unrestricted fund balance).

- As of August 31, 2011, unrestricted fund balance for the general fund was $29,336,927, or 27 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 with the prior year balance.

- The City's total bonded debt increased by $287,585,000 (33 percent) during the current fiscal year. The West Haymarket Joint Public Agency (JPA) issued $300,000,000 of bonded debt in the current year.

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, 2011. 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 30-70 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 71 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 $1,599,891,832 at August 31, 2011.

By far the largest portion of the City's net assets (63 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, 2011 and 2010

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and Other Assets	$ 651,101,529	398,115,532	247,265,929	246,650,963	898,367,458	644,766,495
Capital Assets	713,530,269	622,796,373	1,437,335,316	1,417,922,340	2,150,865,585	2,040,718,713
Total Assets	1,364,631,798	1,020,911,905	1,684,601,245	1,664,573,303	3,049,233,043	2,685,485,208
Long-Term Liabilities Outstanding	504,062,995	189,192,032	766,638,529	773,188,114	1,270,701,524	962,380,146
Other Liabilities	22,171,662	21,147,269	156,468,025	155,388,010	178,639,687	176,535,279
Total Liabilities	526,234,657	210,339,301	923,106,554	928,576,124	1,449,341,211	1,138,915,425
Net Assets:						
Invested in Capital Assets, Net of Related Debt	386,451,715	482,099,420	622,950,944	598,053,416	1,009,402,659	1,080,152,836
Restricted	235,695,091	121,155,820	33,750,287	37,040,667	269,445,378	158,196,487
Unrestricted	216,250,335	207,317,364	104,793,460	100,903,096	321,043,795	308,220,460
Total Net Assets	$ 838,397,141	810,572,604	761,494,691	735,997,179	1,599,891,832	1,546,569,783

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 (20 percent) may be used to meet the government's ongoing obligations to citizens and creditors.

At August 31, 2011, 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, 2011 and 2010

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for Services	$ 46,426,307	41,701,425	335,205,232	313,690,349	381,631,539	355,391,774
Operating Grants and Contributions	73,594,748	55,013,696	-	-	73,594,748	55,013,696
Capital Grants and Contributions	7,982,667	16,171,192	4,645,062	5,767,531	12,627,729	21,938,723
General Revenues:						
Property Tax	48,621,668	48,637,701	-	-	48,621,668	48,637,701
Sales and Use Tax	57,996,100	55,362,688	-	-	57,996,100	55,362,688
Occupation Tax	20,403,399	10,847,214	2,059,361	1,984,400	22,462,760	12,831,614
Other Taxes	16,378,863	15,821,171	-	-	16,378,863	15,821,171
Unrestricted Grants and Contributions	1,927,588	2,006,071	-	-	1,927,588	2,006,071
Unrestricted Investment Earnings	1,370,358	1,926,976	1,564,708	1,673,103	2,935,066	3,600,079
Other	2,309,497	793,365	343,835	893,109	2,653,332	1,686,474
Total Revenues	277,011,195	248,281,499	343,818,198	324,008,492	620,829,393	572,289,991
Expenses:						
General Government	40,059,839	36,991,820	-	-	40,059,839	36,991,820
Public Safety	81,218,142	75,364,591	-	-	81,218,142	75,364,591
Streets and Highways	39,840,551	38,150,193	-	-	39,840,551	38,150,193
Culture and Recreation	26,578,448	25,713,710	-	-	26,578,448	25,713,710
Economic Opportunity	16,336,855	17,198,314	-	-	16,336,855	17,198,314
Health and Welfare	21,153,869	20,840,847	-	-	21,153,869	20,840,847
Mass Transit	12,007,410	11,198,681	-	-	12,007,410	11,198,681
Equipment Management	1,882,136	1,767,774	-	-	1,882,136	1,767,774
Engineering Services	1,219,084	829,470	-	-	1,219,084	829,470
Interest on Long-Term Debt	11,568,353	6,373,674	-	-	11,568,353	6,373,674
Parking	-	-	5,632,973	5,475,157	5,632,973	5,475,157
Golf Courses	-	-	3,414,074	3,165,446	3,414,074	3,165,446
Auditorium	-	-	2,202,234	2,243,518	2,202,234	2,243,518
Solid Waste Management	-	-	8,490,392	10,607,775	8,490,392	10,607,775
Ambulance Transport	-	-	3,940,669	3,819,895	3,940,669	3,819,895
Wastewater	-	-	23,135,157	22,265,579	23,135,157	22,265,579
Water	-	-	26,084,158	23,469,948	26,084,158	23,469,948
Electric	-	-	242,743,000	229,241,000	242,743,000	229,241,000
Total Expenses	251,864,687	234,429,074	315,642,657	300,288,318	567,507,344	534,717,392
Increase in Net Assets Before Transfers	25,146,508	13,852,425	28,175,541	23,720,174	53,322,049	37,572,599
Transfers	2,678,029	2,581,647	(2,678,029)	(2,581,647)	-	-
Increase in Net Assets	27,824,537	16,434,072	25,497,512	21,138,527	53,322,049	37,572,599
Net Assets - Beginning	810,572,604	794,138,532	735,997,179	714,858,652	1,546,569,783	1,508,997,184
Net Assets - Ending	$ 838,397,141	810,572,604	761,494,691	735,997,179	1,599,891,832	1,546,569,783

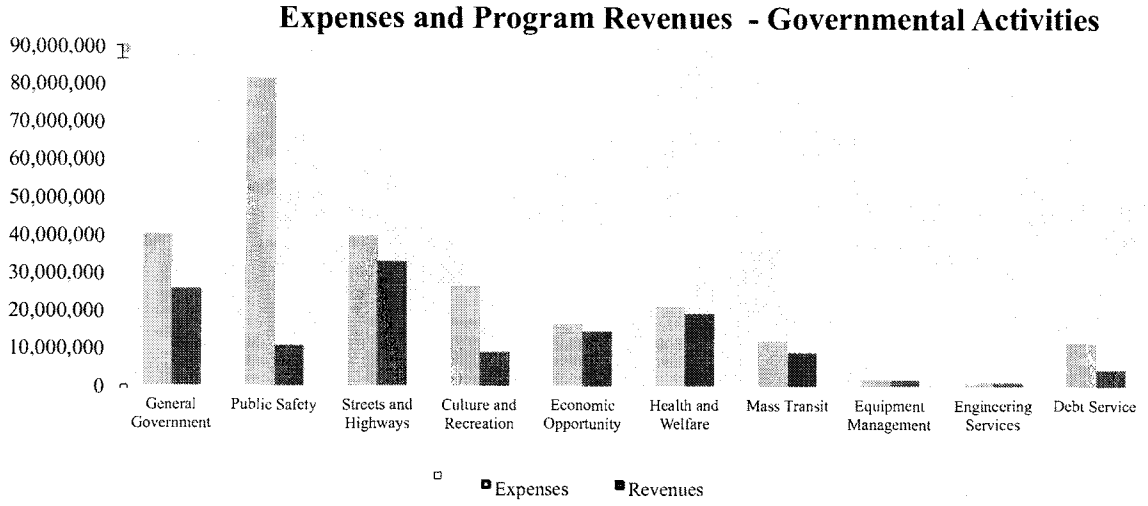
GOVERNMENTAL ACTIVITIES

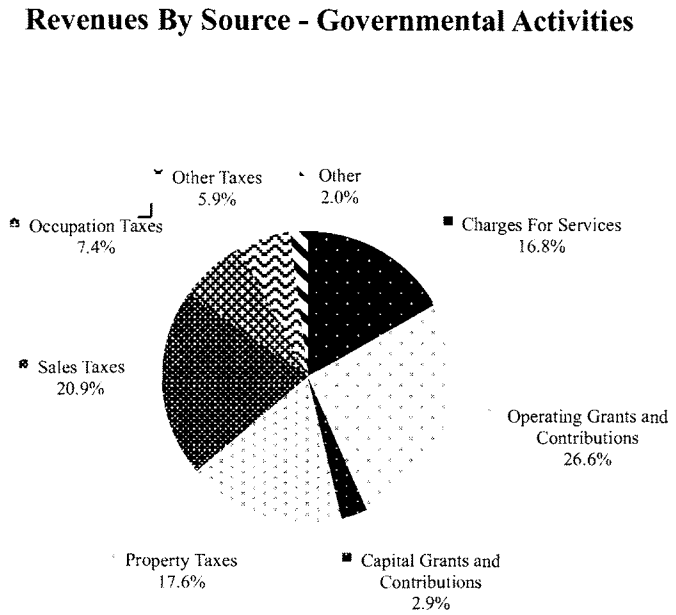
Governmental activities increased the City's net assets by $27,824,537, accounting for 52 percent of the total growth in the net assets of the City of Lincoln. Key elements of this increase are as follows:

- The City's current year contribution to the Joint Antelope Valley Authority amounted to $6,462,467, of which a significant portion is federally funded.

- Sales taxes increased by approximately $2.6 million (4.8 percent) during 2011 after showing an increase of 1.9 percent in the prior year.

- Occupation taxes increased by approximately $9.5 million (88 percent) in the current year with the January, 2011 imposition of 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.





BUSINESS-TYPE ACTIVITIES

Business-type activities increased the City's net assets by $25,497,512, accounting for 48 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 $3,424,357 (13.6 percent) from 2010. Effective February, 2011, there was a 5% user fee increase and metered sales were up 8 percent due to a dry fall and spring. Operating expense increased $1,846,422 (8.7 percent) due to increased personnel, energy and chemical costs.

- Wastewater System operating revenues increased $1,270,226 (5.9 percent) primarily due to a 5% user fee increase implemented with the billings starting in February, 2011. 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. Operating expenses increased $844,288 (4.5 percent) due to increased personnel and chemical costs.

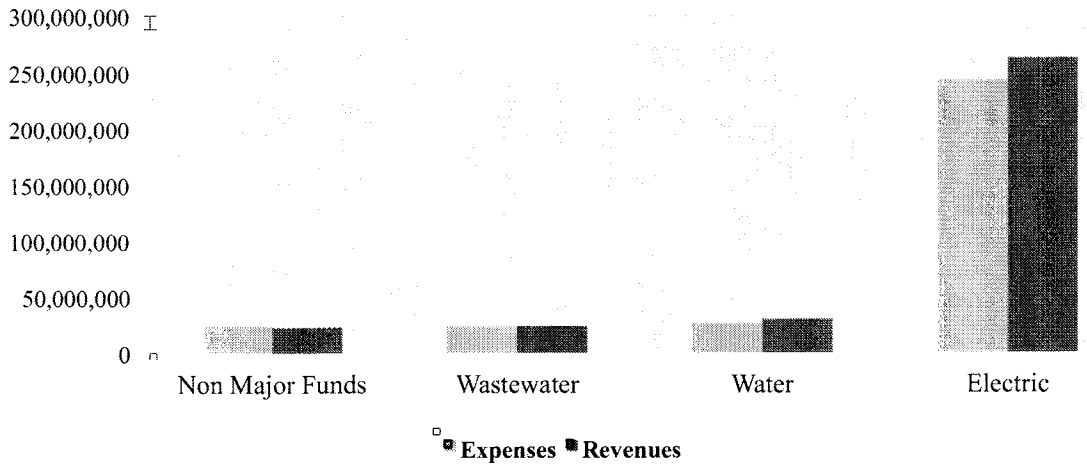
- Lincoln Electric System operating revenue in 2010 was 6% higher than 2009. Retail revenue was 8 percent higher due to the impact of a 2.4 percent increase on January 1, 2010 and energy sales were up compared to the mild summer weather in 2009. Wholesale revenue increased 1 percent due to higher prices although energy sales decreased 8 percent.

- LES recorded capital contributions of $1.7 million.

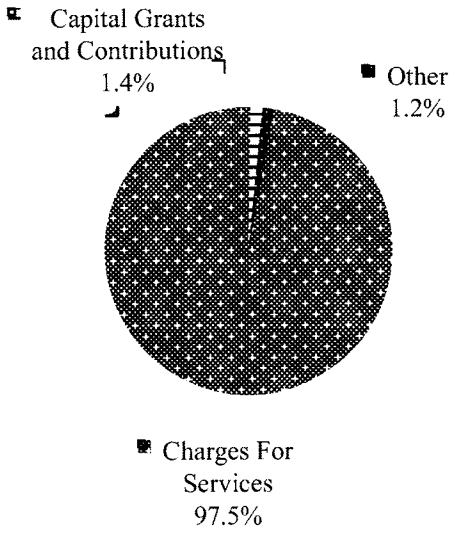
- Lincoln Water and Wastewater Systems reported capital contributions of approximately $1.9 million and $1.1 million, respectively.

- Lincoln Water and Wastewater Systems reported increased losses in nonoperating activities in 2011 due to higher interest expense and the reduction of interest income and insurance recoveries, 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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of August 31, 2011, the City's governmental funds reported combined ending fund balances of $426,496,342, an increase of $239,607,770 in comparison with the prior year. Of this total amount, 12 percent constitutes unrestricted fund balance, which is available for spending at the City's discretion. The remainder of fund balance is restricted to indicate that it is not available for new spending because it has already been committed to:

- long-term loans receivable ($19,837,000),
- pay debt service ($16,060,411),
- capital construction and acquisition ($252,381,333),
- West Haymarket Joint Public Agency activities ($9,640,388),
- donor and grantor purposes ($5,832,975),
- generating income for the purpose of funding health and health-related programs for the citizens of Lincoln ($56,077,332), and
- a variety of other purposes ($16,164,902).

The General Fund is the chief operating fund of the City. At August 31, 2011, the unrestricted fund balance of the General Fund was $29,336,927, while total fund balance reached $41,753,836. 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 27 percent of total general fund expenditures, while total fund balance represents 38 percent of that same amount.

The fund balance of the City's General Fund increased by $2,910,783 during 2011. For the current fiscal year, appropriated General fund balance, used as a funding source for the budget increased only 2.8 percent over 2010. General Fund balances as a future funding source are projected to decrease as the City reduces balances, measured at year end, to a goal of 15% of the projected General Fund budget five years in the future.

The Street Construction Fund had a total fund balance of $36,478,568, which is to be used in the construction and maintenance of street and highways. The net increase in fund balance during 2011 in the Street Construction Fund was $4,150,021, the result of changes in the demand for JAVA funding.

The West Haymarket JPA Fund had a fund balance of $225,432,904 which is to be used for funding improvements of the West Haymarket Redevelopment Project. This balance is the result of the settlement of $300,000,000 in current year bonds.

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 $18,186,672, $14,313,737, $75,913,000 and $(180,020), respectively, at August 31, 2011 (December 31, 2010 for LES). Factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget were relatively minor (decrease of $(244,236) in appropriations) and can be briefly summarized as follows:

- $(1,878,951) in miscellaneous changes in general government activities.
- $1,054,839 in increases allocated to public safety.
- $32,191 in increases to streets & highways.
- $65,859 in increases allocated to parks and recreation.
- $481,826 in increases allocated for General Fund transfers to other City funds.

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

- $2,181,663 positive variance in real estate and personal property tax. Actual property collections were 96.69% of the 2010 levy, while estimated tax revenue is based on 90% collections as provided by the City Charter.
- $1,642,531 positive variance in sales tax receipts. Collections exceeded projections that were based on prior years activity.
- $1,996,370 positive variance in miscellaneous general government expenditures. Significant savings were realized in several service line items that are reappropriated to cover ongoing future expenditures.
- $(1,140,687) negative variance in street lighting function expenditures. This variance was the result of additions related to both normal construction as well as Antelope Valley Project construction.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of August 31, 2011, amounts to $2,150,865,585 (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 2011 was 5.40 percent (a 14.57 percent increase for governmental activities and a 1.37 percent increase for business-type activities).

Major capital asset events during 2011 included the following:

- A variety of street construction widening and expansion projects for existing streets and bridges continued. Along with new construction of streets and drainage projects, construction-in-progress of infrastructure as of August 31, 2011 reached $88,140,000.
- The City's bus system, StarTran, purchased thirteen new buses at a cost of $4,642,638.
- The West Haymarket Joint Public Agency (JPA) has investment in capital assets of $80,856,914, which includes roads and utility work, arena design and initial construction, site preparation, land purchases, and environmental remediation.
- The City parking system's continued investment in a new downtown parking garage reached approximately $8.6 million.

City Of Lincoln
Capital Assets (net of depreciation)
August 31, 2011 and 2010

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	$ 69,850,907	63,866,125	24,144,286	21,950,552	93,995,193	85,816,677
Buildings	49,744,391	45,950,230	122,650,291	126,543,523	172,394,682	172,493,753
Improvements Other Than Buildings	37,876,916	38,189,441	445,301,114	446,114,577	483,178,030	484,304,018
Machinery and Equipment	35,685,017	31,600,937	11,894,995	12,232,011	47,580,012	43,832,948
Utility Plant	-	-	753,770,000	760,709,000	753,770,000	760,709,000
Infrastructure	352,448,061	354,568,639	-	-	352,448,061	354,568,639
Construction-in-progress	167,924,977	88,621,001	79,574,630	50,372,677	247,499,607	138,993,678
Total	$ 713,530,269	622,796,373	1,437,335,316	1,417,922,340	2,150,865,585	2,040,718,713

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, 2011, the City of Lincoln had total bonded debt outstanding of $1,158,233,000. Of this amount, $419,663,000 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, 2011 and 2010
(dollar amounts in thousands)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds	$ 419,663	118,383	-	-	419,663	118,383
Tax Supported Bonds	5,920	6,605	-	-	5,920	6,605
Revenue Bonds	-	-	732,650	745,660	732,650	745,660
Total	$ 425,583	124,988	732,650	745,660	1,158,233	870,648

The City's total bonded debt increased by $287,585,000 (33 percent) during the current fiscal year. This significant increase was the result of the JPA issuance of $300,000,000 in bonds to fund a portion of the Agency's construction costs.

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
2005 Revenue Bonds			
FSA insured	-	AAA	AAA
2007 Revenue Bonds			
FGIC insured	Aaa	AAA	AAA
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 50-55 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Property tax revenue required to fund the 2012 budget increased $4,046,259 or 9.83 percent from the prior year. Total change in the tax base is estimated at .12 percent, with an increase to the tax rate from .28788 to .31580, an increase of 9.7 percent over the prior year.

- The adequacy of fees charged for City service cost recovery is examined each year and some fee increases are included in each annual budget. Without periodic increases in fees, amounts collected, or other revenue adjustments, inflationary and other cost increases would need to be covered by additional property tax revenue or the levels of service provided would need to be reduced. Revenue adjustments in 2012 include a "Return on Equity" payment from LES estimated at $5,896,643.

- An increase of $1,376,028 in funding for the Police and Fire Pension Plan was added to fund normal cost and to provide resources to amortize the unfunded actuarial liability.

- Sales tax collections for 2011 finished 2.92 percent ahead of projections. 2012 projections reflect a 1.20 percent increase over 2011 actual collections.

- The governor and state legislature eliminated in lieu of tax payments (State Aid) to municipalities, which results in a revenue decrease to the City of $1,840,672.

- Staffing changes included in the 2011-2012 budget result in a decrease for all funds of 16.18 full-time equivalents.

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

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, 2011
With Summarized Financial Information as of August 31, 2010

		Governmental Activities	Business-Type Activities	Totals 2011	Totals 2010
ASSETS					
Cash and Cash Equivalents	$	145,984,381	24,986,970	170,971,351	82,317,793
Investments		236,874,740	47,925,521	284,800,261	148,704,783
Invested Securities Lending Collateral		-	-	-	1,025,994
Receivables, (Net of Allowance for Uncollectibles)		33,828,857	46,178,527	80,007,384	70,968,173
Internal Balances		(1,351,694)	1,351,694	-	-
Due from Other Governments		29,415,277	4,305	29,419,582	27,971,533
Inventories		2,221,408	15,591,515	17,812,923	19,046,403
Plant Operation Assets		-	13,070,000	13,070,000	14,091,000
Prepaid Items		700,370	1,131,985	1,832,355	1,828,168
Deferred Charges and Other Assets		6,162,166	12,745,574	18,907,740	16,633,543
Restricted Assets:					
Cash and Cash Equivalents		1,051,780	15,907,805	16,959,585	18,790,915
Investments		37,160,000	68,149,585	105,309,585	90,547,696
Receivables		-	222,448	222,448	248,717
Investment in Joint Venture		159,054,244	-	159,054,244	152,591,777
Capital Assets:					
Non-depreciable		237,775,884	103,718,916	341,494,800	224,810,355
Depreciable (Net)		475,754,385	1,333,616,400	1,809,370,785	1,815,908,358
Total Assets		1,364,631,798	1,684,601,245	3,049,233,043	2,685,485,208
LIABILITIES					
Accounts Payable and Other Current Liabilities		12,214,633	42,253,871	54,468,504	51,829,414
Accrued Liabilities		4,837,343	13,043,745	17,881,088	17,237,929
Due to Other Governments		610,824	153,941	764,765	819,392
Unearned Revenue		496,679	935,274	1,431,953	1,624,367
Obligations under Securities Lending		-	-	-	1,025,994
Notes Payable		-	90,000,000	90,000,000	92,000,000
Accrued Interest Payable		4,012,183	10,081,194	14,093,377	11,998,183
Noncurrent Liabilities:					
Payable within One Year		25,159,509	33,747,222	58,906,731	55,039,710
Payable in More Than One Year		478,903,486	732,891,307	1,211,794,793	907,340,436
Total Liabilities		526,234,657	923,106,554	1,449,341,211	1,138,915,425
NET ASSETS					
Invested in Capital Assets, Net of Related Debt		386,451,715	622,950,944	1,009,402,659	1,080,152,836
Restricted for:					
Debt Service, Net of Related Debt		7,806,827	29,008,060	36,814,887	34,868,834
Capital Projects		127,992,825	1,255,350	129,248,175	42,516,324
Grantor Loan Programs		19,837,000	-	19,837,000	19,566,000
Other		22,167,162	3,486,877	25,654,039	6,291,153
Trust Donations:					
Expendable		1,653,945	-	1,653,945	1,723,206
Nonexpendable		160,000	-	160,000	160,000
Health Care:					
Expendable		19,077,332	-	19,077,332	16,070,970
Nonexpendable		37,000,000	-	37,000,000	37,000,000
Unrestricted		216,250,335	104,793,460	321,043,795	308,220,460
Total Net Assets	$	838,397,141	761,494,691	1,599,891,832	1,546,569,783

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, 2011
With Summarized Financial Information for the Year Ended August 31, 2010

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals 2011	Totals 2010
Functions/Programs								
Governmental Activities:								
General Government	$ (40,059,839)	21,544,375	3,109,155	1,021,934	(14,384,375)	-	(14,384,375)	(12,962,697)
Public Safety	(81,218,142)	5,730,687	4,675,131	289,798	(70,522,526)	-	(70,522,526)	(65,685,813)
Streets and Highways	(39,840,551)	4,087,358	24,184,766	4,612,774	(6,955,653)	-	(6,955,653)	(6,559,985)
Culture and Recreation	(26,578,448)	4,114,179	2,880,002	1,945,724	(17,638,543)	-	(17,638,543)	(18,787,660)
Economic Opportunity	(16,336,855)	2,269,303	12,371,743	-	(1,695,809)	-	(1,695,809)	(3,852,201)
Health and Welfare	(21,153,869)	4,435,710	14,815,283	-	(1,902,876)	-	(1,902,876)	(3,537,257)
Mass Transit	(12,007,410)	1,619,140	7,268,943	-	(3,119,327)	-	(3,119,327)	(4,463,659)
Equipment Management	(1,882,136)	1,626,131	-	5,000	(251,005)	-	(251,005)	(416,580)
Engineering Services	(1,219,084)	995,088	-	5,135	(218,861)	-	(218,861)	(27,929)
Interest on Long-Term Debt	(11,568,353)	4,336	4,289,725	102,302	(7,171,990)	-	(7,171,990)	(5,248,980)
Total Governmental Activities	(251,864,687)	46,426,307	73,594,748	7,982,667	(123,860,965)	-	(123,860,965)	(121,542,761)
Business-Type Activities:								
Parking Lots	(313,810)	363,002	-	-	-	49,192	49,192	82,370
Golf	(3,414,074)	2,759,810	-	-	-	(654,264)	(654,264)	(373,791)
Parking Facilities	(5,319,163)	7,573,805	-	4,583	-	2,259,225	2,259,225	1,658,166
Municipal Auditorium	(2,202,234)	1,606,199	-	-	-	(596,035)	(596,035)	(648,807)
Solid Waste Management	(8,490,392)	5,555,135	-	-	-	(2,935,257)	(2,935,257)	(5,294,467)
Emergency Medical Services	(3,940,669)	4,565,087	-	-	-	624,418	624,418	595,929
Wastewater System	(23,135,157)	22,931,019	-	1,081,660	-	877,522	877,522	1,283,437
Water System	(26,084,158)	28,474,175	-	1,905,819	-	4,295,836	4,295,836	3,443,725
Electric System	(242,743,000)	261,377,000	-	1,653,000	-	20,287,000	20,287,000	18,423,000
Total Business-Type Activities	(315,642,657)	335,205,232	-	4,645,062	-	24,207,637	24,207,637	19,169,562
Total	$ (567,507,344)	381,631,539	73,594,748	12,627,729	(123,860,965)	24,207,637	(99,653,328)	(102,373,199)
	General Revenues:							
	Property Tax				48,621,668	-	48,621,668	48,637,701
	Motor Vehicle Tax				4,284,369	-	4,284,369	4,247,118
	Wheel Tax				12,031,376	-	12,031,376	11,519,622
	Sales and Use Tax				57,996,100	-	57,996,100	55,362,688
	Sundry and In Lieu Tax				63,118	-	63,118	54,431
	Occupation Tax				20,403,399	2,059,361	22,462,760	12,831,614
	Unrestricted Grants and Contributions				1,927,588	-	1,927,588	2,006,071
	Unrestricted Investment Earnings				1,370,358	1,564,708	2,935,066	3,600,079
	Miscellaneous General Revenues				2,309,497	343,835	2,653,332	1,686,474
	Transfers				2,678,029	(2,678,029)	-	-
	Total General Revenues and Transfers				151,685,502	1,289,875	152,975,377	139,945,798
	Change in Net Assets				27,824,537	25,497,512	53,322,049	37,572,599
	Net Assets - Beginning				810,572,604	735,997,179	1,546,569,783	1,508,997,184
	Net Assets - Ending				$ 838,397,141	761,494,691	1,599,891,832	1,546,569,783

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

CITY OF LINCOLN, NEBRASKA
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2011

		General Fund	Street Construction Fund	West Haymarket JPA Fund	Other Governmental Funds	Total
ASSETS						
Cash and Cash Equivalents	$	4,795,748	4,621,924	123,470,657	8,556,720	141,445,049
Investments		22,850,931	24,333,175	105,940,874	95,784,386	248,909,366
Receivables, (Net of Allowance for Uncollectibles)		5,712,901	1,585,226	1,780,646	24,471,836	33,550,609
Due from Other Funds		1,934,706	5,342,235	-	3,104,817	10,381,758
Due from Other Governments		10,290,493	11,044,205	1,622,007	6,199,809	29,156,514
Inventories		472,182	450,225	-	488,615	1,411,022
Prepaid Items		6,418,988	-	25,775	6,500	6,451,263
Total Assets		52,475,949	47,376,990	232,839,959	138,612,683	471,305,581
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable		934,612	1,342,342	6,481,111	1,888,683	10,646,748
Contracts Payable		-	146,436	-	324,019	470,455
Accrued Liabilities		2,508,561	159,527	-	1,640,023	4,308,111
Due to Other Funds		5,714,045	210,877	32,441	6,744,955	12,702,318
Due to Other Governments		150,093	26,595	-	253,376	430,064
Unearned Revenue		-	-	-	317,762	317,762
Deferred Revenue		1,414,802	9,012,645	893,503	4,612,831	15,933,781
Total Liabilities		10,722,113	10,898,422	7,407,055	15,781,649	44,809,239
Fund Balances:						
Nonspendable		6,891,170	450,225	25,775	37,655,115	45,022,285
Restricted		5,525,739	22,359,280	225,407,129	77,046,702	330,338,850
Committed		-	-	-	633,206	633,206
Assigned		13,750,394	13,669,063	-	7,636,067	35,055,524
Unassigned		15,586,533	-	-	(140,056)	15,446,477
Total Fund Balances		41,753,836	36,478,568	225,432,904	122,831,034	426,496,342
Total Liabilities and Fund Balances	$	52,475,949	47,376,990	232,839,959	138,612,683	

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.		691,479,451
Investment in joint venture is not a financial resource and, therefore, is not reported in the funds.		159,054,244
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		15,933,781
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.		26,780,676
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.		(5,096,424)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(476,250,929)
Net assets of governmental activities	$	838,397,141

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, 2011

	General Fund	Street Construction Fund	West Haymarket JPA Fund	Other Governmental Funds	Total
REVENUES					
Taxes:					
Property	$ 28,248,373	-	-	19,956,099	48,204,472
Motor Vehicle	4,284,369	-	-	-	4,284,369
Wheel	-	1,114,104	-	10,917,272	12,031,376
Sales and Use	57,996,100	-	-	-	57,996,100
Sundry and In Lieu	48,455	-	-	12,796	61,251
Occupation	13,282,814	-	7,653,744	-	20,936,558
Special Assessment	-	425	-	1,118,089	1,118,514
Intergovernmental	4,982,313	27,548,619	3,205,671	35,796,221	71,532,824
Permits and Fees	4,939,346	2,628,295	-	10,956,731	18,524,372
Reimbursement for Services	6,185,640	6,226	-	1,329,500	7,521,366
Program Income	-	-	944,303	273,633	1,217,936
Investment Earnings	156,933	(54,541)	-	5,352,485	5,454,877
Donations	726,335	75	-	1,259,271	1,985,681
Keno Proceeds	-	-	-	3,321,506	3,321,506
Miscellaneous	2,181,411	779,577	-	1,793,441	4,754,429
Total Revenues	123,032,089	32,022,780	11,803,718	92,087,044	258,945,631
EXPENDITURES					
Current:					
General Government	26,569,977	-	454,329	9,598,056	36,622,362
Public Safety	60,131,286	-	-	9,405,771	69,537,057
Streets and Highways	7,461,505	10,871,181	-	2,392	18,335,078
Culture and Recreation	11,628,899	-	-	10,165,686	21,794,585
Economic Opportunity	4,401,646	-	-	11,410,268	15,811,914
Health and Welfare	193,414	-	-	21,800,001	21,993,415
Mass Transit	-	-	-	15,088,883	15,088,883
Debt Service	6,806	-	10,801,422	15,631,234	26,439,462
Capital Outlay	-	24,110,113	77,310,392	8,160,545	109,581,050
Total Expenditures	110,393,533	34,981,294	88,566,143	101,262,836	335,203,806
Excess (Deficiency) of Revenues Over (Under) Expenditures	12,638,556	(2,958,514)	(76,762,425)	(9,175,792)	(76,258,175)
OTHER FINANCING SOURCES (USES)					
Transfers In	6,889,394	12,003,923	-	24,966,938	43,860,255
Transfers Out	(16,360,654)	(4,945,556)	-	(19,805,398)	(41,111,608)
Issuance of Debt	-	-	300,000,000	9,663,000	309,663,000
Issuance of Refunding Debt	6,692,500	-	-	19,540,000	26,232,500
Premiums/Discounts on Debt Issued	(6,427)	-	4,669,860	1,091,787	5,755,220
Transfer To Bond Refunding Agent	(7,075,474)	-	-	(21,746,822)	(28,822,296)
Sale of Capital Assets	132,888	50,168	-	105,818	288,874
Total Other Financing Sources (Uses)	(9,727,773)	7,108,535	304,669,860	13,815,323	315,865,945
Net Change in Fund Balances	2,910,783	4,150,021	227,907,435	4,639,531	239,607,770
Fund Balances - Beginning of Year, Before Restatement	30,425,582	31,586,833	(2,474,531)	127,350,688	186,888,572
Adjustment for Implementation of GASB 54	8,417,471	741,714	-	(9,159,185)	-
Fund Balances - Beginning of Year, After Restatement	38,843,053	32,328,547	(2,474,531)	118,191,503	186,888,572
Fund Balances - Ending	$ 41,753,836	36,478,568	225,432,904	122,831,034	426,496,342

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, 2011

Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds	$ 239,607,770
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.	83,105,689
The net effect of various miscellaneous transactions involving capital contributions is to increase net assets.	2,623,305
Revenues in the statement of activites that do not provide current financial resources are not reported as revenues in the funds: change in revenues in fund statements previously recognized in the statement of activities.	1,580,917
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.	(298,039,633)
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.	(3,736,004)
Changes in the net pension obligation and the net OPEB obligation do not represent financial activity in governmental funds.	(1,393,535)
Changes in the interest in the underlying net assets of the joint venture do not represent financial activity in governmental funds.	6,462,467
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.	(2,386,439)
Change in net assets of governmental activities	$ 27,824,537

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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Real Estate and Personal Property Tax	$ 30,404,505	30,404,505	32,586,168	2,181,663
Taxes Collected by Others	56,317,014	56,317,014	57,959,545	1,642,531
Sundry Taxes and In Lieu	33,612	33,612	56,055	22,443
Occupation Taxes	11,764,425	11,764,425	11,982,166	217,741
Intergovernmental	3,813,352	3,813,352	3,457,174	(356,178)
Permits and Fees	3,258,531	3,258,531	3,190,409	(68,122)
Reimbursement for Services	2,989,874	2,989,874	2,848,361	(141,513)
Court Fees	594,000	594,000	596,781	2,781
Recreation Receipts	2,116,281	2,116,281	2,128,295	12,014
Investment Earnings	239,800	239,800	159,302	(80,498)
Donations	723,722	723,722	725,032	1,310
Rental Income	474,064	474,064	504,794	30,730
Miscellaneous	2,156,816	2,156,816	2,138,925	(17,891)
Total Revenues	114,885,996	114,885,996	118,333,007	3,447,011
Expenditures:				
General Government:				
Legislative	286,263	286,347	242,765	43,582
Executive	1,126,728	1,130,843	1,068,484	62,359
Financial Administration	2,764,538	2,756,371	2,508,454	247,917
Law	2,456,102	2,470,458	2,455,480	14,978
Personnel Administration	938,462	942,367	891,388	50,979
Planning and Zoning	1,851,122	1,861,681	1,831,188	30,493
Urban Development	897,704	989,714	774,367	215,347
Miscellaneous	20,520,692	18,524,879	16,528,509	1,996,370
Total General Government	30,841,611	28,962,660	26,300,635	2,662,025
Public Safety:				
Police	32,946,001	32,976,027	31,759,280	1,216,747
Fire	21,897,471	22,918,210	22,959,234	(41,024)
Traffic Engineering	1,568,249	1,572,323	1,520,663	51,660
Total Public Safety	56,411,721	57,466,560	56,239,177	1,227,383
Streets and Highways:				
Street Maintenance	2,656,242	2,688,433	2,242,639	445,794
Street Lighting	3,915,681	3,915,681	5,056,368	(1,140,687)
Total Streets and Highways	6,571,923	6,604,114	7,299,007	(694,893)
Culture and Recreation:				
Parks and Recreation	11,710,713	11,776,572	11,442,727	333,845
Libraries	200,603	200,603	200,603	-
Total Culture and Recreation	11,911,316	11,977,175	11,643,330	333,845
Economic Opportunity:				
Lincoln Area Agency on Aging	257,117	257,117	257,117	-
Health and Welfare:				
Lincoln/Lancaster County Health	205,472	205,472	205,472	-
Debt Service:				
Issuance and Management Costs	-	-	6,806	(6,806)
Total Expenditures	106,199,160	105,473,098	101,951,544	3,521,554
Excess of Revenues Over Expenditures	8,686,836	9,412,898	16,381,463	6,968,565
Other Financing Sources (Uses):				
Transfers In	10,541,594	10,541,594	6,663,814	(3,877,780)
Transfers Out	(25,137,193)	(25,619,019)	(20,827,281)	4,791,738
Proceeds from Issuance of Debt	6,692,500	6,692,500	6,692,500	-
Discount on Debt Issued	-	-	(6,427)	(6,427)
Transfer to Bond Refunding Agent	(7,068,178)	(7,068,178)	(7,068,178)	-
Sale of Capital Assets	95,006	95,006	132,889	37,883
Total Other Financing Sources (Uses)	(14,876,271)	(15,358,097)	(14,412,683)	945,414
Net Change in Fund Balances	(6,189,435)	(5,945,199)	1,968,780	7,913,979
Fund Balances - Beginning	20,986,052	20,986,052	20,986,052	-
Fund Balances - Ending	$ 14,796,617	15,040,853	22,954,832	7,913,979

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

CITY OF LINCOLN
FOUNDED JULY 29, 1867
SEAL
INCORPORATED APRIL 7, 1869
LANCASTER COUNTY, NEBRASKA

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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Wheel Tax	$ 1,111,500	1,111,500	1,108,379	(3,121)
Special Assessment	-	-	425	425
Intergovernmental	9,044,276	9,044,276	17,601,301	8,557,025
Permits and Fees	-	-	280,049	280,049
Reimbursement for Services	400,000	400,000	6,136	(393,864)
Investment Earnings	50,000	50,000	118,426	68,426
Miscellaneous	-	-	20,620	20,620
Total Revenues	10,605,776	10,605,776	19,135,336	8,529,560
Expenditures -- Streets and Highways:				
Personal Services	5,554,680	5,554,680	5,831,956	(277,276)
Materials and Supplies	1,135,111	1,135,111	986,141	148,970
Other Services and Charges	4,317,182	4,310,110	4,100,647	209,463
Capital Outlay	87,127	112,127	40,820	71,307
Total Expenditures	11,094,100	11,112,028	10,959,564	152,464
Excess (Deficiency) of Revenues Over (Under) Expenditures	(488,324)	(506,252)	8,175,772	8,682,024
Other Financing Sources (Uses):				
Transfers In	12,040,822	12,040,822	12,040,822	-
Transfers Out	(4,945,556)	(4,945,556)	(4,945,556)	-
Sale of Capital Assets	-	-	50,168	50,168
Total Other Financing Sources (Uses)	7,095,266	7,095,266	7,145,434	50,168
Net Change in Fund Balances	6,606,942	6,589,014	15,321,206	8,732,192
Amount Budgeted on Project Basis	(11,512,649)	(11,512,649)	(11,512,649)	-
Fund Balances - Beginning	29,269,106	29,269,106	29,269,106	-
Fund Balances - Ending	$ 24,363,399	24,345,471	33,077,663	8,732,192

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, 2011

	Business-Type Activities -- Enterprise Funds					Governmental Activities -- Internal Service Funds
	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Other Enterprise Funds	Total	
ASSETS						
Current Assets:						
Cash and Cash Equivalents	$ 2,401,211	1,270,745	18,694,000	2,621,014	24,986,970	4,539,332
Investments	-	-	36,769,000	11,156,521	47,925,521	25,125,374
Restricted Assets:						
Cash and Cash Equivalents	-	-	11,909,000	181,964	12,090,964	1,051,780
Investments	-	-	3,328,000	-	3,328,000	-
Receivables, (Net of Allowance for Uncollectibles)	2,542,929	2,745,516	19,937,000	3,285,038	28,510,483	278,248
Unbilled Revenues	2,386,904	3,848,140	11,433,000	-	17,668,044	-
Due from Other Funds	1,214,046	314,208	-	509,284	2,037,538	1,935,140
Due from Other Governments	-	-	-	4,305	4,305	258,763
Inventories	65,504	932,633	14,385,000	208,378	15,591,515	810,386
Plant Operation Assets	-	-	13,070,000	-	13,070,000	-
Prepaid Expenses	-	-	1,072,000	59,985	1,131,985	385,407
Total Current Assets	8,610,594	9,111,242	130,597,000	18,026,489	166,345,325	34,384,430
Noncurrent Assets:						
Restricted Assets:						
Cash and Cash Equivalents	-	-	30,000	3,786,841	3,816,841	-
Investments	18,750,789	16,352,689	22,466,000	7,252,107	64,821,585	-
Receivables	124,867	89,967	-	7,614	222,448	-
Due from Other Funds	-		-	304,852	304,852	-
Total Restricted Assets	18,875,656	16,442,656	22,496,000	11,351,414	69,165,726	-
Deferred Charges	704,520	587,005	11,058,000	396,049	12,745,574	135,576
Capital Assets:						
Land	5,913,340	5,445,167	-	12,785,779	24,144,286	1,306,950
Buildings	75,384,901	67,363,431	-	50,839,978	193,588,310	5,639,207
Improvements Other Than Buildings	254,651,742	324,805,770	-	35,953,374	615,410,886	1,159,425
Machinery and Equipment	8,596,734	8,569,723	-	13,188,408	30,354,865	28,260,381
Utility Plant	-	-	1,224,514,000	-	1,224,514,000	-
Construction in Progress	6,189,533	1,511,081	58,267,000	13,607,016	79,574,630	388,182
Less Accumulated Depreciation	(97,384,087)	(109,692,686)	(470,744,000)	(52,430,888)	(730,251,661)	(20,839,627)
Total Capital Assets, Net	253,352,163	298,002,486	812,037,000	73,943,667	1,437,335,316	15,914,518
Total Noncurrent Assets	272,932,339	315,032,147	845,591,000	85,691,130	1,519,246,616	16,050,094
Total Assets	281,542,933	324,143,389	976,188,000	103,717,619	1,685,591,941	50,434,524
LIABILITIES						
Current Liabilities:						
Accounts Payable	319,901	449,849	13,920,000	4,300,121	18,989,871	1,097,429
Construction Contracts	1,996,813	2,169,341	-	-	4,166,154	-
Accrued Liabilities	473,855	763,871	11,469,000	337,019	13,043,745	419,431
Accrued Compensated Absences	364,696	427,699	-	315,275	1,107,670	773,045
Due to Other Funds	-	-	-	990,696	990,696	966,274
Due to Other Governments	-	-	-	153,941	153,941	570
Unearned Revenue	-	-	-	935,274	935,274	178,917
Claims	-	-	-	-	-	6,724,159
Accrued Interest	756,525	122,354	9,136,000	66,315	10,081,194	71,934
Commercial Paper Notes Payable	-	-	90,000,000	-	90,000,000	-
Current Portion of Capital Lease	-	-	-	258,306	258,306	117,597
Current Portion of Long-Term Debt	3,075,092	5,380,000	18,680,000	1,080,000	28,215,092	-
Other	-	-	23,264,000	-	23,264,000	-
Total Current Liabilities	6,986,882	9,313,114	166,469,000	8,436,947	191,205,943	10,349,356
Noncurrent Liabilities:						
Accrued Compensated Absences	194,408	395,957	-	87,010	677,375	753,743
Construction Contracts	1,796,829	193,636	-	-	1,990,465	-
Claims	-	-	-	-	-	4,064,797
Long-Term Debt, Net	81,138,410	59,884,016	547,604,000	25,637,751	714,264,177	-
Capital Lease Payable	-	-	-	751,062	751,062	8,246,025
Accrued Liabilities	138,352	196,145	-	241,731	576,228	239,927
Accrued Landfill Closure/Postclosure Care Costs	-	-	-	14,632,000	14,632,000	-
Total Noncurrent Liabilities	83,267,999	60,669,754	547,604,000	41,349,554	732,891,307	13,304,492
Total Liabilities	90,254,881	69,982,868	714,073,000	49,786,501	924,097,250	23,653,848
NET ASSETS						
Invested in Capital Assets, Net of Related Debt	171,395,000	239,387,493	158,775,000	53,393,451	622,950,944	8,602,676
Restricted for:						
Debt Service	1,019,749	419,376	27,427,000	141,935	29,008,060	-
Capital Projects	686,631	39,915	-	528,804	1,255,350	-
Other	-	-	-	46,948	46,948	-
Unrestricted	18,186,672	14,313,737	75,913,000	(180,020)	108,233,389	18,178,000
Total Net Assets	$ 191,288,052	254,160,521	262,115,000	53,931,118	761,494,691	26,780,676

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, 2011

	Business-Type Activities -- Enterprise Funds					Governmental Activities -- Internal Service Funds
	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Other Enterprise Funds	Total	
Operating Revenues						
Charges for Services	$ 22,973,653	28,559,484	261,377,000	4,565,087	317,475,224	52,320,810
Fees	-	-	-	7,820,398	7,820,398	-
Parking Revenue	-	-	-	7,478,545	7,478,545	-
Performance Revenue	-	-	-	1,534,158	1,534,158	-
Other Operating Revenue	-	-	-	588,197	588,197	-
Total Operating Revenues	22,973,653	28,559,484	261,377,000	21,986,385	334,896,522	52,320,810
Operating Expenses						
Personal Services	-	-	-	7,915,575	7,915,575	13,508,727
Contractual Services	-	-	-	5,001,711	5,001,711	-
Operation and Maintenance	11,094,850	13,304,010	16,051,000	6,069,119	46,518,979	38,842,696
Purchased Power	-	-	118,295,000	-	118,295,000	-
Depreciation	7,128,253	7,645,046	37,283,000	3,835,786	55,892,085	2,450,247
Administrative Costs	1,449,114	2,151,017	33,051,000	-	36,651,131	-
Total Operating Expenses	19,672,217	23,100,073	204,680,000	22,822,191	270,274,481	54,801,670
Operating Income (Loss)	3,301,436	5,459,411	56,697,000	(835,806)	64,622,041	(2,480,860)
Nonoperating Revenues (Expenses)						
Investment Earnings	158,557	892,051	395,000	119,100	1,564,708	93,554
Gain (Loss) on Disposal of Capital Assets	-	-	-	(106,705)	(106,705)	72,903
Insurance Recovery	185,048	-	-	18,725	203,773	-
Miscellaneous Revenue	-	-	-	448,772	448,772	-
Occupation Tax	-	-	-	2,059,361	2,059,361	-
Grants	-	3,658	-	-	3,658	-
Payments in Lieu of Taxes	-	-	(9,439,000)	-	(9,439,000)	-
Amortization of Deferred Charges	(38,904)	(76,887)	(861,000)	(23,570)	(1,000,361)	-
Interest Expense and Fiscal Charges	(3,424,036)	(2,907,198)	(27,763,000)	(727,875)	(34,822,109)	(167,338)
Total Nonoperating Revenues (Expenses)	(3,119,335)	(2,088,376)	(37,668,000)	1,787,808	(41,087,903)	(881)
Income (Loss) Before Contributions and Transfers	182,101	3,371,035	19,029,000	952,002	23,534,138	(2,481,741)
Capital Contributions	1,081,660	1,902,161	1,653,000	67,962	4,704,783	102,540
Transfers In	-	159,395	-	859,305	1,018,700	13,421
Transfers Out	-	-	(1,730,000)	(2,030,109)	(3,760,109)	(20,659)
Change in Net Assets	1,263,761	5,432,591	18,952,000	(150,840)	25,497,512	(2,386,439)
Net Assets - Beginning	190,024,291	248,727,930	243,163,000	54,081,958	735,997,179	29,167,115
Net Assets - Ending	$ 191,288,052	254,160,521	262,115,000	53,931,118	761,494,691	26,780,676

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, 2011

	Business-Type Activities -- Enterprise Funds					Governmental Activities -- Internal Service Funds
	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Other Enterprise Funds	Total	
Cash Flows from Operating Activities						
Receipts from Customers and Users	$ 23,334,696	27,792,022	271,646,000	20,004,326	342,777,044	12,297,699
Receipts from Interfund Services Provided	219,365	648,301	5,202,000	160,029	6,229,695	40,000,044
Payments to Suppliers for Goods and Services	(3,344,814)	(4,747,873)	(160,171,000)	(7,951,306)	(176,214,993)	(34,264,525)
Payments to Employees	(7,277,590)	(8,104,984)	(23,916,000)	(7,737,308)	(47,035,882)	(13,259,037)
Payments for Interfund Services Provided	(1,702,040)	(2,711,605)	(3,066,000)	(1,977,584)	(9,457,229)	(2,441,670)
Other Receipts	-	-	45,000	588,197	633,197	-
Net Cash Provided by Operating Activities	11,229,617	12,875,861	89,740,000	3,086,354	116,931,832	2,332,511
Cash Flows from Noncapital Financing Activities						
Occupation Tax	-	-	-	1,987,948	1,987,948	-
Payments in Lieu of Taxes	-	-	(8,730,000)	-	(8,730,000)	-
Transfers from Other Funds	-	-	-	622,387	622,387	19,084
Transfers to Other Funds	-	-	(1,597,000)	(2,030,109)	(3,627,109)	(1,652)
Advances from General Fund	-	-	-	1,834,553	1,834,553	1,373,111
Repayment of Advances from General Fund	-	-	-	(1,544,671)	(1,544,671)	(1,494,027)
Advances to Other Funds	-	-	-	(167,758)	(167,758)	(11,168)
Payments from Other Funds	54,320	68,777	-	290,122	413,219	438,964
Other Miscellaneous Receipts	-	-	-	448,772	448,772	-
Net Cash Provided (Used) by Noncapital Financing Activities	54,320	68,777	(10,327,000)	1,441,244	(8,762,659)	324,312
Cash Flows from Capital and Related Financing Activities						
Additions to Capital Assets	(6,303,152)	(3,994,573)	(43,585,000)	(12,928,966)	(66,811,691)	(9,399,846)
Proceeds from Sale of Capital Assets	-	-	-	13,842	13,842	202,405
Insurance Recovery	185,048	-	-	18,725	203,773	-
Transfer from Other Funds	-	-	-	247,502	247,502	5,000
Proceeds from Long-Term Debt	4,021,999	-	-	20,561,084	24,583,083	8,363,622
Cost of Debt Issuance	-	-	(282,000)	(265,523)	(547,523)	(135,576)
Net Cost of Retiring Plant	-	-	(447,000)	-	(447,000)	-
Capital Contributions	414,160	1,177,971	1,653,000	-	3,245,131	-
Principal Payments of Capital Lease	-	-	-	(318,288)	(318,288)	-
Principal Payments of Long-Term Debt	(2,865,000)	(6,310,000)	(17,820,000)	(6,680,000)	(33,675,000)	-
Interest and Fiscal Charges Paid	(3,512,090)	(3,118,530)	(28,342,000)	(1,019,428)	(35,992,048)	(95,404)
Net Cash Used by Capital and Related Financing Activities	(8,059,035)	(12,245,132)	(88,823,000)	(371,052)	(109,498,219)	(1,059,799)
Cash Flows from Investing Activities						
Proceeds from Sale and Maturities of Investments	5,108,370	8,023,611	-	8,395,459	21,527,440	13,962,241
Purchases of Investments	(9,388,154)	(9,727,504)	(9,175,000)	(13,776,659)	(42,067,317)	(17,946,578)
Interest and Other Receipts	375,700	470,210	200,000	308,946	1,354,856	414,016
Net Cash Used by Investing Activities	(3,904,084)	(1,233,683)	(8,975,000)	(5,072,254)	(19,185,021)	(3,570,321)
Net Decrease in Cash and Cash Equivalents	(679,182)	(534,177)	(18,385,000)	(915,708)	(20,514,067)	(1,973,297)
Cash and Cash Equivalents - Beginning	3,080,393	1,804,922	49,018,000	7,505,527	61,408,842	7,564,409
Cash and Cash Equivalents - Ending	$ 2,401,211	1,270,745	30,633,000	6,589,819	40,894,775	5,591,112
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities						
Operating Income (Loss)	$ 3,301,436	5,459,411	56,697,000	(835,806)	64,622,041	(2,480,860)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:						
Depreciation	7,128,253	7,645,046	37,283,000	3,835,786	55,892,085	2,450,247
Changes in Assets and Liabilities:						
Accounts Receivable and Unbilled Revenues	584,908	(117,611)	(4,543,000)	(1,232,727)	(5,308,430)	71,305
Due from Other Funds	-	-	-	(31,346)	(31,346)	(247,302)
Due from Other Governments	-	-	-	(474)	(474)	118,522
Inventories	37,476	(92,261)	1,497,000	(27,483)	1,414,732	(109,363)
Plant Operation Assets	-	-	1,021,000	-	1,021,000	-
Prepaid Expenses	-	-	4,000	(19,364)	(15,364)	9,103
Other Assets	-	-	(1,030,000)	-	(1,030,000)	-
Accounts Payable	70,486	(215,245)	(1,014,000)	43,061	(1,115,698)	191,667
Accrued Liabilities	92,224	153,568	-	138,986	384,778	153,848
Accrued Compensated Absences	14,834	42,953	-	39,281	97,068	95,842
Due to Other Funds	-	-	-	17,653	17,653	(468)
Due to Other Governments	-	-	-	(13,927)	(13,927)	(29,324)
Unearned Revenue	-	-	-	30,714	30,714	34,408
Claims	-	-	(478,000)	-	(478,000)	2,074,886
Deferred Credits and Other Liabilities	-	-	303,000	-	303,000	-
Accrued Landfill Closure/Postclosure Care Costs	-	-	-	1,142,000	1,142,000	-
Total Adjustments	7,928,181	7,416,450	33,043,000	3,922,160	52,309,791	4,813,371
Net Cash Provided by Operating Activities	$ 11,229,617	12,875,861	89,740,000	3,086,354	116,931,832	2,332,511
Supplemental Disclosure of Noncash Investing, Capital, and Financing Activities:						
Contribution of Capital Assets	$ 667,500	724,190	-	67,962	1,459,652	102,540
Purchase of Capital Assets on Account	3,793,642	2,362,977	-	3,348,272	9,504,891	159,503
Change in Fair Value of Investments	(210,635)	439,657	-	(190,409)	38,613	(270,689)
Recognition of Sales Tax Settlement Payment	-	-	332,000	-	332,000	-
Allowance for Funds in Construction and Amortization	-	-	(1,077,000)	-	(1,077,000)	-

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, 2011

	Police & Fire Pension Trust Fund	Agency Funds
ASSETS		
Cash and Cash Equivalents	$ 2,355,438	3,781,501
Investments:		
Pooled Investment Funds	2,322,860	-
U.S. Agency Obligations	-	2,243,564
Corporate Bonds	462,400	-
Private Equity	525,252	-
Mutual Funds	145,048,224	-
Real Estate Limited Partnership	11,901,482	-
Total Investments	160,260,218	2,243,564
Receivables:		
Contributions	434,030	-
Accrued Interest	796,691	39,031
Other	-	41,193
Due from Other Governments	188	-
Contractor Retainage	-	797,319
Total Assets	163,846,565	6,902,608
LIABILITIES		
Warrants Payable	-	1,182,481
Accounts Payable	11,360	213,935
Accrued Liabilities	6,104	-
Accrued Compensated Absences	14,465	-
Due to Other Governments	210	3,849,074
Due to Homeowners	-	43,604
Due to Contractors	-	1,275,391
Due to Joint Venture	-	205,384
Due to Plan Members	-	14,813
Due to Bondholders	-	117,926
Total Liabilities	32,139	6,902,608
NET ASSETS		
Held in Trust for Pension Benefits and Other Purposes	$ 163,814,426	

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, 2011

	Police & Fire Pension Trust Fund
Additions:	
Contributions:	
Employer	$ 4,470,505
Employee	2,373,463
Total Contributions	6,843,968
Investment Earnings:	
Interest	298,074
Dividends	3,068,731
Net Increase in Fair Value of Investments	15,123,330
Net Investment Earnings	18,490,135
Total Additions	25,334,103
Deductions:	
Benefit Payments	10,594,707
Refunds of Contributions	222,572
Administrative Costs	729,223
Total Deductions	11,546,502
Change in Net Assets	13,787,601
Net Assets Held in Trust for Pension Benefits and Other Purposes - Beginning	150,026,825
Net Assets Held in Trust for Pension Benefits and Other Purposes - Ending	$ 163,814,426

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

NOTES TO THE FINANCIAL STATEMENTS

(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, 2011. 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, 2010. The amounts included in the City's 2011 financial statements for LES are amounts as of and for the year ended December 31, 2010.

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.

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 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 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 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.

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

All inventories are valued at cost using the first-in/first-out (FIFO) 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 unspendable 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.

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:

Assets	Years
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.

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 $24,912,486 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. The government-wide statement of net assets reports $269,445,378 of restricted net assets, of which enabling legislation restricts $16,462,427.

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 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.

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 $19,077,332, 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, 2010, 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 2011, the City implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of resources reported in the governmental funds, thereby enhancing the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied.

Adoption of GASB 54 also clarified the existing governmental fund type definitions, changed how the City reports various fund activities, and resulted in the following beginning fund balance adjustments: General Fund $8,417,471, Athletic Field & Facilities Improvements $(628,453), Lincoln Area Agency on Aging $(326,980), 911 Communications $(560,848), Unemployment Compensation $(163,329), Fast Forward $(6,480,191), Development Services Center $(257,670) and Street Construction $741,714, Snow Removal $(741,714).

In 2011, the City implemented the provisions of GASB Statement No. 59, *Financial Instruments Omnibus,* which looks to improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The implementation of GASB 59 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 $476,250,929 difference are as follows:

Bonds Payable	$	425,583,495
Less deferred charge for issuance costs		(6,026,590)
Less issuance discounts		(1,005,247)
Plus issuance premiums		9,179,477
Less deferred charge on refunding		(155,456)
Capital Leases Payable		25,183,737
Accrued Interest Payable		3,940,249
Net Pension Obligation		3,757,017
Net OPEB Obligation		3,137,094
Compensated Absences		12,657,153
Net difference	$	476,250,929

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 $83,105,689 difference are as follows:

Capital outlay	$	107,295,982
Depreciation expense		(24,190,293)
Net difference	$	83,105,689

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 $(298,039,633) difference are as follows:

Debt issued or incurred:		
Issuance of general obligation stormwater bonds	$	(8,200,000)
Issuance of general obligation refunding bonds		(19,290,000)
Issuance of general obligation facilty bonds		(300,000,000)
Issuance of tax allocation bonds		(263,000)
Issuance of special assessment revolving fund bonds		(1,200,000)
Issuance of capital lease		(3,817,500)
Issuance of certificates of participation		(3,125,000)
Deferred charge for issuance costs		4,449,524
Issuance discounts		995,009
Issuance premiums		(6,750,230)
Amortization of deferred items		28,229
Principal repayments		39,133,335
Net difference	$	(298,039,633)

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 $(3,736,004) difference are as follows:

Loss on disposal of capital assets	$	(537,041)
Construction contracts		(249,317)
Other		245,032
Accrued interest		(2,296,417)
Compensated absences		(898,261)
Net difference	$	(3,736,004)

(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 the capital projects.

Certain assets of the Pershing Municipal Auditorium Enterprise Fund are classified as restricted assets to be used for improvements.

A recap of restrictions and related balances at August 31, 2011, are as follows:

Fund Account		Parking Facilities	Pershing Municipal Auditorium	Solid Waste Management	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Totals
Principal and Interest	$	192,679	-	-	1,330,040	346,521	15,237,000	17,106,240
Reserve		2,338,575	-	400,000	6,206,165	9,828,597	22,496,000	41,269,337
Depreciation and Replacement		930,475	-	-	-	-	-	930,475
Construction		7,595,811	-	14,818	11,339,451	6,267,538	-	25,217,618
Capital Projects		-	14,072	-	-	-	-	14,072
Marketing		-	46,948	-	-	-	-	46,948
	$	11,057,540	61,020	414,818	18,875,656	16,442,656	37,733,000	84,584,690

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).

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. 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, 2011, the City had the following investments, maturities and credit ratings:

	August 31, 2011						
		Maturities in Years				Credit Rating	
Type	Carrying Value	Less than 1	1-5	6-10	More than 10	Moody's	S&P
General City:							
U.S. Treasury Obligations	$ 98,341,474	98,341,474	-	-	-	N/A	N/A
U.S. Sponsored Agency Obligations	276,884,524	160,608,082	109,739,216	2,680,091	3,857,135	Aaa	AA+
Collateralized Repurchase Agreements	320,356	320,356	-	-	-	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	Aa1	AA-
Money Market Funds - U.S. Treasury	3,392,042	3,392,042	-	-	-	N/A	N/A
Money Market Funds - U.S. Agencies	71,529,023	71,529,023	-	-	-	Aaa	AAAm
External Investment Trust	53,740,000	49,740,000	4,000,000	-	-	Not Rated	Not Rated
Tax Increment Financing Investments	2,789,630	-	190,690	1,634,557	964,383	Not Rated	Not Rated
Fixed Income Mutual Funds	153,069	153,069	-	-	-	Not rated	Not Rated
Equities	508,265	508,265	-	-	-	Not rated	Not Rated
Complementary Strategies	57,425	57,425	-	-	-	Not rated	Not Rated
Real Assets	78,591	78,591	-	-	-	Not rated	Not Rated
Total General City	512,054,380	384,728,327	115,049,906	4,314,648	7,961,499		
Community Health Endowment:							
Money Market Mutual Funds	8,846	8,846	-	-	-	Not rated	Not rated
Mutual Funds							
Convertible Bonds	5,361,281	5,361,281	-	-	-	Not rated	Not rated
Institutional Funds							
Fixed Income	12,408,933	12,408,933	-	-	-	Not rated	Not rated
Intermediate Term Credit	7,572,971	7,572,971	-	-	-	Not rated	Not rated
Large Cap Equity	8,660,006	8,660,006	-	-	-	Not rated	Not rated
International Equity	4,413,583	4,413,583	-	-	-	Not rated	Not rated
High Yield Bonds	2,712,812	2,712,812	-	-	-	Not rated	Not rated
Emerging Markets Equity	2,776,948	2,776,948	-	-	-	Not rated	Not rated
Hedge Funds	2,734,710	2,734,710	-	-	-	Not rated	Not rated
Mid Cap Equity	1,085,323	1,085,323	-	-	-	Not rated	Not rated
U.S. Treasuries	2,703,046	2,703,046	-	-	-	Not rated	Not rated
Small Cap Equity	537,534	537,534	-	-	-	Not rated	Not rated
Commodities	1,914,298	1,914,298	-	-	-	Not rated	Not rated
Real Estate	1,371,830	1,371,830	-	-	-	Not rated	Not rated
Limited Partnership	1,187,428	-	1,187,428	-	-	Not rated	Not rated
Other	73,334	73,334	-	-	-	Not rated	Not rated
Total Community Health Endowment	55,522,883	54,335,455	1,187,428	-	-		
Police & Fire Pension Trust:							
Corporate Bonds	462,400	-	-	-	462,400	B (Fitch)	B+
Mutual Funds	143,048,224						
Private Equity	525,253						
Real Estate Limited Partnerships	11,901,482						
Total Police & Fire Pension Trust	157,937,359						
Total Primary Government	$ 725,514,622						

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:

	S&P	Moody's
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 104% and if the provider is further downgraded, 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, 2011, 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.

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.

Type	Portfolio Composition	Policy Limits on Issuer
U.S. agency obligations:		
Federal Home Loan Bank	20.82 %	40.00 %
Federal Home Loan Mortgage Corporation	9.26	40.00
Federal National Mortgage Association	20.17	40.00
Federal Farm Credit Bank	3.81	40.00

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.

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, 2011.

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.

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, 2011:

	Totals
Investments	$ 725,514,622
Deposits and Cash on Hand	21,166,881
	$ 746,681,503

	Government-wide Statement of Net Assets	Fiduciary Funds Statement of Net Assets	Totals
Cash and Cash Equivalents	$ 170,971,351	6,136,939	177,108,290
Investments	284,800,261	162,503,782	447,304,043
Restricted Assets:			
Cash and Cash Equivalents	16,959,585	-	16,959,585
Investments	105,309,585	-	105,309,585
	$ 578,040,782	168,640,721	746,681,503

(5) FUND BALANCES

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

	Major Funds				
	General Fund	Street Construction	West Haymartket JPA	Other Funds	Total
Fund Balances:					
Nonspendable:					
Inventory	$ 472,182	450,225	-	495,115	1,417,522
Prepaid Items	6,418,988	-	25,775	-	6,444,763
Permanent Fund Principal	-	-	-	37,160,000	37,160,000
	6,891,170	450,225	25,775	37,655,115	45,022,285
Restricted For:					
Capital Improvements	506,854	22,359,280	215,766,741	13,748,458	252,381,333
Human Services	820,033	-	-	-	820,033
Donor Purposes	2,165,823	-	-	1,392,366	3,558,189
Public Improvements	2,033,029	-	-	-	2,033,029
Agency Activities	-	-	9,640,388	-	9,640,388
Land Purchases	-	-	-	1,028,338	1,028,338
Social Security Obligations	-	-	-	814,043	814,043
Community Betterment	-	-	-	1,840,359	1,840,359
Federal Loan Programs	-	-	-	19,837,000	19,837,000
Grant Programs	-	-	-	2,274,786	2,274,786
Special Assessment Improvements	-	-	-	497,823	497,823
Debt Service	-	-	-	16,060,411	16,060,411
Health Care	-	-	-	19,077,332	19,077,332
Library Media	-	-	-	475,786	475,786
	5,525,739	22,359,280	225,407,129	77,046,702	330,338,850
Committed To:					
Public Access Television	-	-	-	633,206	633,206
Assigned to:					
Capital Improvements	-	13,192,256	-	207,940	13,400,196
Donor Purposes	755,751	-	-	-	755,751
Public Improvements	488,902	-	-	-	488,902
Athletic Facility Improvements	905,862	-	-	-	905,862
Senior Care	246,132	-	-	-	246,132
Emergency Communications	929,640	-	-	-	929,640
Economic Development Projects	6,408,344	-	-	-	6,408,344
Snow Removal	-	476,807	-	-	476,807
Land Purchases	-	-	-	16,055	16,055
Public Access Television	-	-	-	11,666	11,666
Library Services	-	-	-	2,922,073	2,922,073
Health Care	-	-	-	599,716	599,716
Social Security Obligations	-	-	-	351,432	351,432
Public Transportation	-	-	-	869,494	869,494
Community Betterment	-	-	-	29,225	29,225
Building Code Enforcement	-	-	-	2,479,899	2,479,899
Park Projects	-	-	-	148,567	148,567
Other Purposes	4,015,763	-	-	-	4,015,763
	13,750,394	13,669,063	-	7,636,067	35,055,524
Unassigned	15,586,533	-	-	(140,056)	15,446,477
	$ 41,753,836	36,478,568	225,432,904	122,831,034	426,496,342

(6) RECEIVABLES AND DUE FROM OTHER GOVERNMENTS

Receivables at August 31, 2011, consist of the following (in thousands):

Fund	Taxes	Accounts	Loans	Contributions	Special Assessment Current	Special Assessment Deferred	Accrued Interest	Gross Receivables	Allowance For Uncollectibles	Net
General	$ 3,348	2,271	-	-	-	-	94	5,713	-	5,713
Street Construction	-	1,509	-	-	-	-	76	1,585	-	1,585
West Haymarket JPA	1,087	357	-	-	-	-	337	1,781	-	1,781
Wastewater System	-	4,930	-	-	-	-	125	5,055	-	5,055
Water System	-	6,594	-	-	-	-	90	6,684	-	6,684
Electric System	-	31,807	-	-	-	-	443	32,250	880	31,370
Nonmajor:										
Special Revenue	1,346	278	24,583	-	-	-	76	26,283	4,746	21,537
Debt Service	831	-	-	-	376	966	70	2,243	101	2,142
Capital Projects	-	717	-	-	-	-	74	791	-	791
Permanent	-	-	-	-	-	-	2	2	-	2
Enterprise	-	7,749	-	-	-	-	97	7,846	4,553	3,293
Internal Service	-	166	-	-	-	-	112	278	-	278
Fiduciary	-	41	-	434	-	-	836	1,311	-	1,311
	$ 6,612	56,419	24,583	434	376	966	2,432	91,822	10,280	81,542

Enterprise funds customer accounts receivable include unbilled charges for services. Delinquent special assessment receivables at August 31, 2011, were $229,861.

The total of Due From Other Governments of $29,419,582 includes the following significant items:

Fund/Fund Type	Amount	Service
General/Major Governmental	$ 9,669,716	State of Nebraska, July/August Sales and Use Tax
	408,829	August Motor Vehicle Taxes Collected by Lancaster County
	93,761	Federal Government, Cost Reimbursements
	90,740	Lancaster County, Cost Reimbursements
Street Construction/Major Governmental	3,203,486	State of Nebraska, July/August Highway User Fees
	38,072	Railroad Transportation Safety District, Cost Reimbursements
	7,693,368	Federal Government, Cost Reimbursements
	107,319	August Motor Vehicle Taxes Collected by Lancaster County
West Haymarket JPA/Major Governmental	812,558	Federal Government, Cost Reimbursements
	809,449	State of Nebraska, Cost Reimbursements
Lincoln/Lancaster Co. Health/Special Revenue	345,732	Lancaster County, Cost Reimbursements
StarTran/Special Revenue	122,807	Federal Government, Cost Reimbursements
Federal Grants/Special Revenue	3,943,336	Federal Government, Cost Reimbursements
	549,903	State of Nebraska, Cost Reimbursements
	19,019	Lincoln Public Schools, Cost Reimbursements
Antelope Valley/Tax Supported Bonds/Debt Service	166,666	State of Nebraska, July/August Development Fund Disbursements
Vehicle Tax/Capital Projects	1,051,635	August Motor Vehicle Taxes Collected by Lancaster County
Information Services/Internal Service	221,189	Lancaster County Billings
Insurance Revolving/Internal Service	13,348	Lancaster County Billings
Copy Services/Internal Service	15,139	Lancaster County Billings
Subtotal	29,376,072	
All other	43,510	
Total Due From Other Governments	$ 29,419,582	

(7) CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2011 was as follows:

		Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:					
Capital Assets, not being Depreciated:					
Land	$	63,866,125	6,004,782	20,000	69,850,907
Construction in Progress		88,621,001	80,877,695	1,573,719	167,924,977
Total Capital Assets, not being Depreciated		152,487,126	86,882,477	1,593,719	237,775,884
Capital Assets, being Depreciated:					
Buildings		76,662,582	5,903,637	340,607	82,225,612
Improvements Other Than Buildings		64,922,165	1,666,769	279,536	66,309,398
Machinery and Equipment		81,682,704	10,876,217	6,924,807	85,634,114
Infrastructure		534,930,606	14,285,600	503,091	548,713,115
Total Capital Assets, being Depreciated		758,198,057	32,732,223	8,048,041	782,882,239
Less Accumulated Depreciation for:					
Buildings		30,712,352	2,061,624	292,755	32,481,221
Improvements Other Than Buildings		26,732,724	1,968,678	268,920	28,432,482
Machinery and Equipment		50,081,767	6,655,949	6,788,619	49,949,097
Infrastructure		180,361,967	15,954,289	51,202	196,265,054
Total Accumulated Depreciation		287,888,810	26,640,540	7,401,496	307,127,854
Total Capital Assets, being Depreciated, Net		470,309,247	6,091,683	646,545	475,754,385
Governmental Activities Capital Assets, Net	$	622,796,373	92,974,160	2,240,264	713,530,269

		Beginning Balances *	Increases	Decreases	Ending Balances
Business-type Activities:					
Capital Assets, not being Depreciated:					
Land	$	21,950,552	2,193,734	-	24,144,286
Construction in Progress		50,372,677	67,664,006	38,462,053	79,574,630
Total Capital Assets, not being Depreciated		72,323,229	69,857,740	38,462,053	103,718,916
Capital Assets, being Depreciated:					
Buildings		193,310,167	464,387	186,244	193,588,310
Improvements Other Than Buildings		603,903,096	11,621,185	113,395	615,410,886
Machinery and Equipment		29,123,782	1,521,574	290,491	30,354,865
Utility Plant		1,199,377,000	27,364,000	2,227,000	1,224,514,000
Total Capital Assets, being Depreciated		2,025,714,045	40,971,146	2,817,130	2,063,868,061
Less Accumulated Depreciation for:					
Buildings		66,766,644	4,334,592	163,217	70,938,019
Improvements Other Than Buildings		157,788,519	12,431,405	110,152	170,109,772
Machinery and Equipment		16,891,771	1,843,088	274,989	18,459,870
Utility Plant		436,136,000	37,283,000	2,675,000	470,744,000
Total Accumulated Depreciation		677,582,934	55,892,085	3,223,358	730,251,661
Total Capital Assets, being Depreciated, Net		1,348,131,111	(14,920,939)	(406,228)	1,333,616,400
Business-type Activities Capital Assets, Net	$	1,420,454,340	54,936,801	38,055,825	1,437,335,316

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:		
General Government	$	1,156,876
Public Safety		1,899,985
Streets and Highways, including Infrastructure		15,318,875
Culture and Recreation		3,593,628
Economic Opportunity		52,520
Health and Welfare		296,365
Mass Transit		1,872,044
Subtotal		24,190,293
Internal Service Funds Capital Assets Depreciation is charged to the various functions based on usage of the assets.		2,450,247
Total Depreciation Expense - Governmental	$	26,640,540
Business-type Activities:		
Parking Lots	$	28,081
Golf		591,046
Parking Facilities		1,133,980
Pershing Municipal Auditorium		21,355
Solid Waste Management		1,969,068
Emergency Medical Services		92,256
Wastewater System		7,128,253
Water System		7,645,046
Lincoln Electric System		37,283,000
Total Depreciation Expense - Business-type	$	55,892,085

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	$	5,820,833	92,507	-	5,913,340
Construction in Progress		6,524,586	5,945,499	6,280,552	6,189,533
Total Capital Assets, not being Depreciated		12,345,419	6,038,006	6,280,552	12,102,873
Capital Assets, being Depreciated:					
Buildings		75,359,698	25,203	-	75,384,901
Improvements Other Than Buildings		247,828,003	6,937,134	113,395	254,651,742
Machinery and Equipment		8,551,731	68,483	23,480	8,596,734
Total Capital Assets, being Depreciated		331,739,432	7,030,820	136,875	338,633,377
Less Accumulated Depreciation for:					
Buildings		21,567,175	1,703,959	-	23,271,134
Improvements Other Than Buildings		64,367,316	4,960,488	110,152	69,217,652
Machinery and Equipment		4,447,544	463,806	16,049	4,895,301
Total Accumulated Depreciation		90,382,035	7,128,253	126,201	97,384,087
Total Capital Assets, being Depreciated, Net		241,357,397	(97,433)	10,674	241,249,290
Wastewater System Capital Assets, Net	$	253,702,816	5,940,573	6,291,226	253,352,163

		Beginning Balances	Increases	Decreases	Ending Balances
Lincoln Water System:					
Capital Assets, not being Depreciated:					
Land	$	5,444,607	560	-	5,445,167
Construction in Progress		2,116,922	3,564,673	4,170,514	1,511,081
Total Capital Assets, not being Depreciated		7,561,529	3,565,233	4,170,514	6,956,248
Capital Assets, being Depreciated:					
Buildings		67,219,982	143,449	-	67,363,431
Improvements Other Than Buildings		320,129,285	4,676,485	-	324,805,770
Machinery and Equipment		8,183,784	404,851	18,912	8,569,723
Total Capital Assets, being Depreciated		395,533,051	5,224,785	18,912	400,738,924
Less Accumulated Depreciation for:					
Buildings		22,896,770	1,502,175	-	24,398,945
Improvements Other Than Buildings		74,957,759	5,649,850	-	80,607,609
Machinery and Equipment		4,212,023	493,021	18,912	4,686,132
Total Accumulated Depreciation		102,066,552	7,645,046	18,912	109,692,686
Total Capital Assets, being Depreciated, Net		293,466,499	(2,420,261)	-	291,046,238
Water System Capital Assets, Net	$	301,028,028	1,144,972	4,170,514	298,002,486

		Beginning Balances *	Increases	Decreases	Ending Balances
Lincoln Electric System:					
Capital Assets, not being Depreciated:					
Construction in Progress	$	41,229,000	44,847,000	27,809,000	58,267,000
Capital Assets, being Depreciated:					
Utility Plant		1,199,377,000	27,364,000	2,227,000	1,224,514,000
Less Accumulated Depreciation		436,136,000	37,283,000	2,675,000	470,744,000
Total Capital Assets, being Depreciated, Net		763,241,000	(9,919,000)	(448,000)	753,770,000
Electric System Capital Assets, Net	$	804,470,000	34,928,000	27,361,000	812,037,000

During 2011, Lincoln Wastewater System incurred $3,559,554 of interest cost, of which $135,518 was capitalized into construction in progress. Lincoln Water System incurred $3,179,819 of interest cost, of which $73,328 was capitalized into construction in progress. Lincoln Parking System incurred $905,572 of interest cost, of which $366,508 was capitalized into construction in progress. Capitalized interest is added to the cost of the underlying assets and is amortized over the useful lives of the assets.

Lincoln Electric System utility plant includes an allowance for funds used during construction for projects costing in excess of $500,000 with a 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 2010 was 4.6%.

* Effective January 1, 2010, LES implemented GASB No. 51 *Accounting and Financial Reporting for Intangible Assets*. As a result, software assets and accumulated amortization of $6,977,000 and $4,445,000, respectively, were reclassified from other assets to capital assets and restated in beginning balances.

(8) INTERFUND BALANCES AND ACTIVITY

Balances Due To/From Other Funds at August 31, 2011, consist of the following:

Due To	Due From						
	General Fund	Street Construction	West Haymarket JPA	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	Total
General Fund	$ -	9,258	9,466	25,223	970,685	920,074	1,934,706
Street Construction	1,022,983	-	-	4,319,252	-	-	5,342,235
Nonmajor Governmental	1,606,115	-	-	1,498,702	-	-	3,104,817
Lincoln Wastewater System	527,415	-	-	686,631	-	-	1,214,046
Lincoln Water System	274,293	-	-	39,915	-	-	314,208
Nonmajor Enterprise	773,994	5,774	-	34,357	-	11	814,136
Internal Service	1,509,245	195,845	22,975	140,875	20,011	46,189	1,935,140
	$ 5,714,045	210,877	32,441	6,744,955	990,696	966,274	14,659,288

"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 120 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, 2011, consist of the following:

Transfer To	Transfer From						
	General Fund	Street Construction	Nonmajor Governmental	Lincoln Electric System	Nonmajor Enterprise	Internal Service	Total
General Fund	$ -	-	4,381,739	1,730,000	757,529	20,126	6,889,394
Street Construction	423,871	-	11,580,052	-	-	-	12,003,923
Nonmajor Governmental	15,212,015	4,940,556	3,788,756	-	1,025,078	533	24,966,938
Lincoln Water System	129,395	-	30,000	-	-	-	159,395
Nonmajor Enterprise	589,415	-	22,388	-	247,502	-	859,305
Internal Service	5,958	5,000	2,463	-	-	-	13,421
Total	$ 16,360,654	4,945,556	19,805,398	1,730,000	2,030,109	20,659	44,892,376

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 from LES to the General Fund.

(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, 2010, LES had $90 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, 2010, was 0.31 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 these vehicles as part of their long-term financing strategy. As such, commercial paper is renewed as it matures. The weighted average length of maturity of commercial paper for 2010 was 66 days.

Lincoln Electric System:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Commercial Paper Notes	$ 90,000,000	518,300,000	(518,300,000)	90,000,000	90,000,000

The City of Lincoln is authorized by Ordinance No. 19402 to issue General Obligation Bond Anticipation Notes for the purpose of providing interim financing for costs in connection with construction of a new arena and related improvements in the West Haymarket area of the City. As of August 31, 2010, only $2,000,000 of tax anticipation notes had been issued. Payment of the principal and interest on the notes was paid from the proceeds of bonds issued by the West Haymarket JPA. At August 31, 2011, there were no notes outstanding.

City of Lincoln:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Tax Anticipation Notes	$ 2,000,000	-	(2,000,000)	-	-

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 $2,666,408, $3,016,975, $10,291,693, and $85,335 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	18,171,399	-
Improvements	219,925	-
Infrastructure	13,719,213	-
Machinery and Equipment	2,946,000	3,492,756
Construction in Progress	388,181	-
Less Accumulated Depreciation, (where applicable)	(5,566,307)	(2,256,254)
Total	$ 31,652,861	$ 1,446,502

In 2011, the City issued $3,125,000 in refunding certificates of participation (COPS) with an average interest rate of 1.64% to refund $3,655,000 in outstanding 2006, 2005 and 2004 COPS. The refunding resulted in a cash flow differential of $371,658 and an economic gain of $154,538.

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

In 2011, the City issued $19,290,000 in general obligation refunding bonds with an average interest rate of 2.84% to refund $21,500,000 of 1999A various purpose bonds, 2002 storm sewer and drainage bonds, and 2005 storm sewer refunding bonds. The refunding resulted in a cash flow differential of $4,411,524, and an economic gain of $2,504,754.

In 2011, the City also issued $4,025,000 in parking refunding bonds with an average interest rate of 4.9% to refund $5,525,000 in outstanding Parking Revenue Bonds, Series 1999A. The refunding resulted in a cash flow differential of $(346,476) and an economic loss of $(25,445).

Lincoln Wastewater System has entered into a loan agreement with the Nebraska Department of Environmental Quality (NDEQ) consisting of two separate contracts. Funding totaling $5,000,000 is available under Contract A to fund certain sewer system extension and repairs. During the year ended August 31, 2011, Lincoln Wastewater System incurred project costs totaling $558,399, resulting in additional project loan payable of $509,901. Under Contract B Lincoln Wastewater System has available a $5,000,000 loan, subject to availability of state and federal funds, to finance certain projects of the system. During the year ended August 31, 2011, the System incurred project costs totaling $3,546,400 resulting in the recognition of a project loan payable of $3,512,098. The remaining available funds under Contract B totaling $1,487,902 are not reflected on the financial statements. The interest rate for these loans range from 0.0 to 2.0 percent.

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. No project costs were incurred during the fiscal year ended August 31, 2011, therefore, the available loan is not reflected on the financial statements.

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

Original Amount	Issued	Issue	Interest Rate	When Due	Date Callable	Interest Date	Outstanding
Governmental Activities:							
General Obligation Bonds:							
General Bonds:							
8,220	03/01/99	Various Purpose Series B	3.000 - 4.250	Serial 1999 to 2011	2007	Semiannually	$ 260
15,595	07/08/03	Various Purpose	2.625 - 3.750	Serial 2004 to 2017	2013	"	5,215
3,710	07/08/03	Various Purpose	4.000 / 4.125	Term 2020 & 2023	2013	"	3,710
9,950	06/15/05	Storm Sewer Construction	3.250 - 4.250	Serial 2006 to 2025	2015	"	7,660
8,295	06/27/07	Stormwater Drainage and Flood Mgmt	4.625 - 5.000	Serial 2008 to 2027	2017	"	7,265
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	"	19,290
	Total General Bonds						$ 51,600
Tax Allocation Bonds:							
1,035	04/21/04	Tax Allocation Bonds	2.000 - 3.200	Serial 2004 to 2011	2008	Semiannually	160
5,500	04/21/04	Tax Allocation Bonds	3.000 - 4.800	Serial 2004 to 2015	2010	"	2,880
365	08/15/05	Tax Allocation Bonds	4.750	Serial 2006 to 2018	Anytime	"	216
288	10/01/06	Tax Allocation Bonds	5.100	Serial 2008 to 2016	Anytime	"	188
2,205	04/05/07	Tax Allocation Bonds	5.000 - 5.550	Serial 2009 to 2018	2012	"	1,845
601	06/01/07	Tax Allocation Bonds	5.240	Serial 2008 to 2018	Anytime	"	561
388	06/01/07	Tax Allocation Bonds	5.240	Serial 2007 to 2020	Anytime	"	300
369	06/15/07	Tax Allocation Bonds	5.400	Serial 2007 to 2014	Anytime	"	190
42	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2021	Anytime	"	37
71	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2017	Anytime	"	63
474	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2022	Anytime	"	332
547	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	469
200	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	170
611	06/30/09	Tax Allocation Bonds	7.00	Serial 2011 to 2023	Anytime	"	609
3,375	07/28/09	Tax Allocation Bonds	2.500 - 6.400	Serial 2011 to 2023	Anytime	"	3,375
263	04/01/11	Tax Allocation Bonds	3.990	Serial 2011 to 2022	Anytime	"	263
	Total Tax Allocation Bonds						$ 11,658
Tax Supported Bonds:							
35,000	03/17/04	Highway Allocation Fund	2.000 - 5.000	Serial 2007 to 2023	2014	Semiannually	31,965
27,000	12/05/06	Highway Allocation Fund	4.000 - 5.000	Serial 2008 to 2027	2016	"	23,240
	Total Tax Supported Bonds						$ 55,205
Special Assessment Bonds:							
825	08/18/11	Special Assessment	0.400 - 3.700	Serial 2012 to 2026		Semiannually	825
375	08/18/11	Special Assessment	4.200	Term 2031		"	375
	Total Special Assessment Bonds						$ 1,200
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						$ 300,000
	TOTAL GENERAL OBLIGATION BONDS						$ 419,663
Tax Supported Bonds:							
11,080	3/13/02	Antelope Valley Project	1.500 - 5.000	Serial 2002 to 2016	2012	Semiannually	$ 5,920

Original Amount	Issued	Issue	Interest Rate	When Due	Date Callable	Interest Date	Outstanding
Business-Type Activities:							
Revenue Bonds:							
39,235	07/31/03	Wastewater Revenue	2.000 - 5.000	Serial 2004 to 2023	2013	Semiannually	$ 26,350
15,765	07/31/03	Wastewater Revenue	4.625 / 5.000	Term 2025 & 2028	2013	"	15,765
18,000	08/03/05	Wastewater Revenue	4.000 - 5.000	Serial 2006 to 2030	2015	"	15,000
16,710	04/18/07	Wastewater Revenue	4.000 - 4.500	Serial 2008 to 2029	2017	"	14,760
3,750	04/18/07	Wastewater Revenue	4.375	Term 2032	2017	"	3,750
	Total Wastewater Bonds						$ 75,625
11,850	11/22/02	Water Revenue	2.750 - 5.000	Serial 2005 to 2017	2012	Semiannually	6,180
6,660	11/22/02	Water Revenue	5.000	Term 2022	2012	"	6,660
32,180	05/01/03	Water Revenue	5.000	Serial 2004 to 2012	-	"	2,630
40,000	11/16/04	Water Revenue	3.000 - 5.000	Serial 2005 to 2025	2014	"	33,030
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
	Total Water Bonds						$ 63,920
4,360	12/18/01	Parking Revenue	3.750 - 5.000	Serial 2002 to 2017	2011	"	1,935
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	"	1,760
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						$ 23,855
4,000	08/17/06	Solid Waste Management Revenue	4.000 - 4.250	Serial 2007 to 2021	2013	Semiannually	$ 3,020
148,190	10/01/02	Electric Revenue and Refunding Bonds	4.000 - 5.000	Serial 2004 to 2025	2012	"	81,660
93,045	10/01/03	Electric Revenue and Refunding Bonds	3.000 - 5.000	Serial 2004 to 2026	2014	"	78,200
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	"	176,255
81,850	05/15/07	Electric Revenue and Refunding Bonds	4.500 / 4.750	Term 2034 & 2037	2016	"	81,850
	Total Electric Bonds						$ 566,230

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
2012	$ 6,636	19,029	710	271	3,688	959
2013	8,563	19,575	740	238	3,284	889
2014	8,816	19,283	780	200	3,421	817
2015	9,061	18,971	815	162	3,511	738
2016	9,455	18,603	855	122	3,586	643
2017 - 2021	47,260	87,656	2,020	51	9,322	2,051
2022 - 2026	72,657	74,055	-	-	5,458	830
2027 - 2031	55,835	59,699	-	-	1,255	68
2032 - 2036	60,645	46,279	-	-	-	-
2037 - 2041	73,345	29,401	-	-	-	-
2042 - 2046	67,390	8,882	-	-	-	-
	$ 419,663	401,433	5,920	1,044	33,525	6,995

Fiscal Year Ended August 31	Business-Type Activities					
	Revenue Bonds		Loans Payable		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	$ 28,020	34,879	195	116	258	24
2013	27,010	33,539	307	112	198	18
2014	28,255	32,258	312	107	205	13
2015	29,500	30,887	318	101	152	7
2016	30,845	29,481	323	96	98	5
2017 - 2021	178,095	123,373	1,694	399	98	2
2022 - 2026	117,595	86,452	1,839	254	-	-
2027 - 2031	119,815	59,989	1,896	97	-	-
2032 - 2036	119,470	29,412	107	1	-	-
2037 - 2041	54,045	3,676	-	-	-	-
	$ 732,650	463,946	6,991	1,283	1,009	69

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
2012	$ 3,075	3,620	5,380	2,905	18,680	27,267
2013	3,287	3,500	3,310	2,647	19,610	26,333
2014	3,397	3,370	3,425	2,506	20,595	25,353
2015	3,522	3,217	3,555	2,354	21,620	24,323
2016	3,648	3,057	3,690	2,191	22,675	23,271
2017 - 2021	20,475	12,768	20,915	8,199	131,510	98,220
2022 - 2026	25,189	7,816	16,315	3,406	71,630	72,415
2027 - 2031	18,611	2,161	4,240	1,266	90,790	55,355
2032 - 2036	1,412	58	3,090	283	115,075	29,072
2037 - 2041	-	-	-	-	54,045	3,676
	$ 82,616	39,567	63,920	25,757	566,230	385,285

Long-term liability activity for the year ended August 31, 2011 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	$ 48,330	27,490	(24,220)	51,600	2,390
Tax Allocation Bonds	12,398	263	(1,003)	11,658	1,301
Tax Supported Bonds	57,655	-	(2,450)	55,205	2,895
Special Assessment Debt with Government Commitment	-	1,200	-	1,200	50
West Haymarket Joint Public Agency Bonds	-	300,000	-	300,000	-
Tax Supported Antelope Valley Project Bonds	6,605	-	(685)	5,920	710
Capital Leases	28,989	15,284	(10,748)	33,525	3,688
Gross Bonds and Leases Payable	153,977	344,237	(39,106)	459,108	11,034
Deferred Amounts:					
For Issuance Premiums	2,598	6,772	(168)	9,202	-
For Issuance Discounts	(71)	(995)	11	(1,005)	-
For Refunding	-	(158)	3	(155)	-
Net Bonds and Leases Payable	156,554	349,856	(39,260)	467,150	11,034
Other Liabilities:					
Compensated Absences	13,190	8,015	(7,021)	14,184	7,402
Construction Contracts	5,087	266	(547)	4,806	-
Claims and Judgements	8,714	25,524	(23,449)	10,789	6,724
Net Pension Obligation	3,596	161	-	3,757	-
Net OPEB Obligation	2,051	1,326	-	3,377	-
Governmental Activities Long-Term Liabilities	$ 189,192	385,148	(70,277)	504,063	25,160
Business-Type Activities:					
Bonds, Loans and Leases Payable:					
Wastewater Revenue Bonds	$ 78,410	-	(2,785)	75,625	2,880
Wastewater Loan Payable	3,049	4,022	(80)	6,991	195
Water Revenue Bonds	70,230	-	(6,310)	63,920	5,380
Parking Revenue Bonds	9,375	20,585	(6,105)	23,855	860
Golf Course Revenue Bonds	365	-	(365)	-	-
Solid Waste Management Revenue Bonds	3,230	-	(210)	3,020	220
Electric System Revenue Bonds	584,050	-	(17,820)	566,230	18,680
Capital Leases	1,328	-	(319)	1,009	258
Gross Bonds, Loans and Leases Payable	750,037	24,607	(33,994)	740,650	28,473
Deferred Amounts:					
For Issuance Premiums	15,983	-	(2,407)	13,576	-
For Issuance Discounts	(10,573)	(24)	1,775	(8,822)	-
For Refunding	(2,207)	(184)	475	(1,916)	-
Net Bonds and Leases Payable	753,240	24,399	(34,151)	743,488	28,473
Other Liabilities:					
Compensated Absences	1,688	1,149	(1,052)	1,785	1,108
Construction Contracts	6,609	2,247	(2,699)	6,157	4,166
Claims and Judgements	478	-	(478)	-	-
Accrued Liabilities	33	-	(33)	-	-
Net OPEB Obligation	350	226	-	576	-
Accrued Landfill Closure/Postclosure Care Costs	13,490	-	1,142	14,632	-
Business-Type Activities Long-Term Liabilities	$ 775,888	28,021	(37,271)	766,638	33,747

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, 2011, was as follows (in thousands of dollars):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Lincoln Wastewater System:					
Bonds Payable:					
Wastwater Revenue Bonds	$ 78,410	-	(2,785)	75,625	2,880
Wastewater Loan Payable	3,049	4,022	(80)	6,991	195
Deferred For Issuance Premiums	1,701	-	(93)	1,608	-
Deferred For Issuance Discounts	(10)	-	-	(10)	-
Net Bonds Payable	83,150	4,022	(2,958)	84,214	3,075
Other Liabilities:					
Compensated Absences	544	363	(348)	559	365
Construction Contracts	3,987	1,112	(1,305)	3,794	1,997
Net OPEB Obligation	84	54	-	138	-
Total Long-Term Liabilities	$ 87,765	5,551	(4,611)	88,705	5,437
Lincoln Water System:					
Bonds Payable:					
Water Revenue Bonds	$ 70,230	-	(6,310)	63,920	5,380
Deferred for Issuance Premiums	1,844	-	(336)	1,508	-
Deferred For Issuance Discounts	(35)	-	1	(34)	-
Deferred for Refunding	(266)	-	136	(130)	-
Net Bonds Payable	71,773	-	(6,509)	65,264	5,380
Other Liabilities:					
Compensated Absences	781	452	(409)	824	428
Construction Contracts	2,622	1,135	(1,394)	2,363	2,169
Net OPEB Obligation	119	77	-	196	-
Total Long-Term Liabilities	$ 75,295	1,664	(8,312)	68,647	7,977
Lincoln Electric System:					
Bonds Payable:					
Electric System Revenue Bonds	$ 584,050	-	(17,820)	566,230	18,680
Deferred for Issuance Premiums	12,427	-	(1,977)	10,450	-
Deferred for Issuance Discounts	(10,528)	-	1,774	(8,754)	-
Deferred for Refunding	(1,934)	-	292	(1,642)	-
Net Bonds Payable	584,015	-	(17,731)	566,284	18,680
Other Liabilities:					
Claims and Judgements	478	-	(478)	-	-
Accrued Liabilities	33	-	(33)	-	-
Total Long-Term Liabilities	$ 584,526	-	(18,242)	566,284	18,680

(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, 2011, which discloses the nature and amount of the adjustments necessary to convert the actual GAAP data to the budgetary basis, is presented below:

	General Fund	Street Construction Fund
Net Change in Fund Balances:		
Balance on a GAAP basis	$ 2,910,783	4,150,021
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.	(589,953)	(341,464)
Perspective differences occur when the structure used for budgeting differs from the fund structure used for financial reporting.	(352,050)	-
Amount budgeted on a project basis.	-	11,512,649
Balance on a budget basis	$ 1,968,780	15,321,206

(11) DEFICIT NET ASSETS

The following funds had a net asset or fund balance deficit as of August 31, 2011:

Special Revenue - Impact Fees Fund	$ (140,056)
Internal Service - Engineering Revolving Fund	(589,900)

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

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

(12) EXCESSES OF EXPENDITURES OVER APPROPRIATIONS

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

General Fund	
Fire	$ 41,024
Street Lighting	1,140,687
Debt Service	6,806

(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, 2011, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	415
Terminated plan members entitled to but not yet receiving benefits	28
Active plan members (non-DROP)	562
DROP members	52
Total	1,057
Number of participating employers	1

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 2011 was 13.34% of annual covered payroll. Actual contributions by the City were 12.12% 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	$ 4,652
Interest on net pension obligation	269
Adjustment to annual required contribution	(426)
Annual pension cost	4,495
Contributions made	(4,334)
Increase in net pension obligation	161
Net pension obligation beginning	3,596
Net pension obligation ending	$ 3,757

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
2011	$ 4,495	$ 4,334	96 %	$ 3,757
2010	3,576	3,963	111	3,596
2009	3,123	3,572	114	3,983

Actuarial Methods and Assumptions – The annual required contribution for the current year was determined as part of the August 31, 2009, 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, 2011, the most recent actuarial valuation date, the plan was 81 percent funded. The actuarial accrued liability for benefits was $204,990,000, and the actuarial value of assets was $165,436,000, resulting in an unfunded actuarial accrued liability (UAAL) of $39,554,000. The covered payroll (annual payroll of active employees covered by the plan) was $35,763,000, and the ratio of the UAAL to the covered payroll was 110.6 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.

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, which range from 1% to 5% 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, 2010, LES incurred contribution expense of approximately $3,214,000 or 9.4% of covered payroll and its employees contributed approximately $2,206,000 or 6.5% 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, 2010,

was $1,821,626. City contributions totaled $215,911 or 11.8% of covered payroll. There were no employee contributions made for the year ended December 31, 2010.

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, 2010, total payroll was approximately $75,906,000 and covered payroll was approximately $67,347,000. City contributions totaled $7,610,244 or 11.3% of covered payroll and employee contributions totaled $3,847,900 or 5.7% of covered payroll. Employees made $271,564 in voluntary contributions for the year ended December 31, 2010.

(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, 2011, was calculated as follows:

(Dollar amounts in thousands)

Annual required contribution	$ 2,111
Interest on net OPEB obligation	108
Adjustment to annual required contribution	(141)
Annual OPEB cost	2,078
Contributions made	(524)
Increase in net OPEB obligation	1,554
Net OPEB obligation beginning	2,401
Net OPEB obligation ending	$ 3,955

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

Year Ended August 31	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	$ 2,078,000	25.2 %	$ 3,955,000
2010	2,097,000	25.1	2,401,000
2009	656,000	37.2	830,000

Funded Status and Funding Progress – As of September 1, 2009, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial liability for benefits was $19,796,000 and the actuarial value of assets was zero, resulting in an unfunded actuarial liability (UAL) of $19,796,000. Annual covered payroll was approximately $112,002,000, and the ratio of the UAL to the covered payroll was 17.7%.

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

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

In the September 1, 2009 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 9.5% initially, reduced by decrements to an ultimate rate of 5.0% for 2020 and beyond. Implicit in this medical trend rate is an underlying general inflation rate in the range of 3 to 4%. 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 $1,297,000.

(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 2010 tax levy, for the 2010-2011 fiscal year, was $93,513,495 below the legal limit, with a tax rate per $100 valuation of $0.2879. The assessed value upon which the 2010 levy was based was $15,881,260,420.

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 2010-2011 are recorded as revenue in the fund financial statements when expected to be collected within 60 days after August 31, 2011. Prior-year levies were recorded using these same principles, and remaining receivables are re-evaluated annually. Property taxes expected to be collected after 60 days are recorded as deferred revenue on the fund balance sheets.

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

(16) RISK MANAGEMENT

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

For the year ended August 31, 2011, the City had a self-insured retention for workers' compensation exposures up to $750,000 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 and 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 $750,000 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 and above 125% of the aggregate attachment point. 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 $10,788,956 were recorded at August 31, 2011. Excluding medical care claims approximating $2,909,000, 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 .50% 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, 2011 and 2010:

2011	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	$ 6,850,000	1,029,797	2,909,159	10,788,956

2010	Worker's Compensation and Others	Long-Term Disability	Health and Dental	Total
Balance at September 1	$ 6,267,000	604,770	1,691,707	8,563,477
Current year claims and changes in estimates	3,088,000	370,067	18,659,998	22,118,065
Claims payments	(2,765,000)	(78,654)	(19,123,818)	(21,967,472)
Balance at August 31	$ 6,590,000	896,183	1,227,887	8,714,070

LINCOLN ELECTRIC SYSTEM

LES has a self-funded health insurance program with claims processed by and 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:

	2010	2009
Balance beginning of year	$ 478,000	1,001,000
Claims accrued	5,098,000	7,185,000
Claims paid/other	(5,132,000)	(7,708,000)
Balance end of year	$ 444,000	478,000

(17) COMMITMENTS AND CONTINGENCIES

GENERAL

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

At August 31, 2011, approximately 96% of the full-time, regular City's employees are represented by a Union. The existing union contracts will expire in August 2012.

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

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

The City of Lincoln owns a solid waste disposal area which discontinued operations in 1990, but still requires certain closure and postclosure care, including the construction of final cover, monitoring of groundwater conditions and landfill gas migration, and general site maintenance. While accrual of closure and postclosure care costs has been reflected in the financial statements in the current year, additional corrective action costs related to landfill gas migration and groundwater conditions may be identified once testing is completed and the state regulatory agency has issued a final determination.

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, 2011, the City's commitment to developers is estimated to be approximately $43,560,000.

STREET CONSTRUCTION PROJECTS

The City's Street Construction Capital Projects Fund has commitments under major construction contracts in progress of approximately $4,400,000 as of August 31, 2011, 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 $22,000,000 as of August 31, 2011.

PARKING FACILITIES

The Lincoln Parking System has commitments under major contracts in progress of approximately $7,000,000 as of August 31, 2011 for construction of the Catalyst One Garage project.

LINCOLN WASTEWATER SYSTEM

The Lincoln Wastewater System has commitments under major construction contracts in progress of approximately $8,800,000 at August 31, 2011.

LINCOLN WATER SYSTEM

The Lincoln Water System has commitments under major construction contracts in progress of approximately $572,000 as of August 31, 2011.

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 $16,600,000 in 2010.

The participation contracts continue until the facilities are removed from commercial operation or the final maturity occurs on the related debt incurred by NPPD to finance the facilities, whichever occurs last. The estimated fixed cost payments to NPPD under these contracts, including capital additions and improvements, debt service payments and fixed costs, and credits aggregate approximately $19,000,000, $21,600,000, $25,100,000, $24,200,000, and $21,600,000, respectively, in each of the five years subsequent to December 31, 2010.

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 $23,000,000 are reflected in utility plant at December 31, 2010.

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 2010, 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 which 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, 2011, the City had incurred a liability of approximately $9,774,000 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 $9.9 million, which will be recognized as the remaining capacity is used (estimated to be approximately 22 years).

As of August 31, 2011, the City had incurred a liability of approximately $600,000 for the construction and demolition debris landfill which represents the amount of costs reported to date based on the approximately 55 percent of landfill capacity used to date. The remaining estimated liability for these costs is approximately $492,000, which will be recognized as the remaining capacity is used (estimated to be approximately 16 years).

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

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

The City of Lincoln also owns a solid waste disposal area that discontinued operations in 1990. Although exempt from the U.S. Environmental Protection Agency *Solid Waste Disposal Facility Criteria* issued October 9, 1991, the City must still adhere to certain closure and postclosure care requirements under prior legislation, including the construction of final cover, monitoring of ground water conditions and landfill gas migration, and general site maintenance. At August 31, 2011, a liability for closure and postclosure care costs is recorded in the amount of approximately $4,258,000, which is based on appropriations identified in the City's capital improvement projects budgeting process. Additional corrective action costs related to possible landfill gas migration and groundwater conditions may be identified once testing is completed and the state regulatory agency has issued a final determination. These additional potential costs cannot be reasonably estimated and thus no liability has been accrued as of August 31, 2011.

(19) FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the 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 $75,013,000 for the Water System and $96,296,000 for the Wastewater System based on borrowing rates currently available as of August 31, 2010.

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, and re-cycling drop-off program. Summary financial information for these divisions as of and for the year ended August 31, 2011, is presented as follows:

		Parking Facilities	Solid Waste Management
CONDENSED STATEMENT OF NET ASSETS			
Assets:			
Current Assets, excluding Due from Other Funds	$	7,496,923	6,227,775
Due from Other Funds		519,806	191,136
Restricted Assets		10,584,838	400,704
Deferred Charges		331,686	57,005
Capital Assets		44,762,125	22,340,099
Total Assets		63,695,378	29,216,719
Liabilities:			
Current Liabilities, excluding Due to Other Funds		5,111,428	1,010,646
Due to Other Funds		10,647	1,967
Noncurrent Liabilities		22,830,621	17,516,384
Total Liabilities		27,952,696	18,528,997
Net Assets:			
Invested in Capital Assets, Net of Related Debt		28,293,802	19,267,574
Restricted		641,849	14,817
Unrestricted		6,807,031	(8,594,669)
Total Net Assets	$	35,742,682	10,687,722
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS			
Operating Revenues	$	7,124,602	5,561,258
Depreciation Expense		(1,133,980)	(1,969,068)
Other Operating Expenses		(3,606,008)	(6,386,050)
Operating Income (Loss)		2,384,614	(2,793,860)
Nonoperating Revenues (Expenses):			
Investment Earnings		124,644	(5,489)
Gain (Loss) on Disposal of Capital Assets		(30,599)	105
Insurance Recovery		-	7,403
Miscellaneous Revenue		448,772	-
Occupation Tax		-	2,059,361
Interest Expense and Fiscal Charges		(548,576)	(135,379)
Capital Contributions		4,583	-
Transfers		(972,386)	(1,009,083)
Change in Net Assets		1,411,052	(1,876,942)
Beginning Net Assets		34,331,630	12,564,664
Ending Net Assets	$	35,742,682	10,687,722
CONDENSED STATEMENT OF CASH FLOWS			
Net Cash Provided (Used) by:			
Operating Activities	$	3,121,543	91,576
Noncapital Financing Activities		(691,372)	1,228,591
Capital and Related Financing Activities		5,757,180	(4,543,179)
Investing Activities		(6,780,281)	1,789,738
Net Increase (Decrease) in Cash		1,407,070	(1,433,274)
Beginning Balance		3,555,045	2,340,362
Ending Balance	$	4,962,115	907,088

(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 $100,530,890 in wastewater revenue bonds & loans. Proceeds provided financing for improvements to the sanitary sewer system, as well as refunding a $4.5 million loan to the City from the Nebraska Department of Environmental Quality. The debt is payable solely from the net earnings of the Wastewater System and are payable through 2032. The total principal and interest remaining to be paid on the debt is $122,182,913, with annual payments expected to require 59.2 percent of net revenues. Principal and interest paid for the current year and net system revenues were $6,512,609 and $11,002,406, respectively.

The City has pledged future revenues derived from the operation of the Lincoln Water System, net of operating and maintenance expenses, to repay $106,110,000 in water revenue bonds. Proceeds from the

bonds provided financing for improvements to the water supply system, as well as refunding $37.8 million of 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 bonds is $89,677,532, with annual payments expected to require 62.6 percent of net revenues. Principal and interest paid for the current year and net system revenues were $9,501,857 and $15,174,479, 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 $951,515,000, with annual payments expected to require 50 percent of net revenues. Principal and interest paid for the current year and net system revenues were $45,947,000 and $94,375,000, 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 $37,673,781, with annual payments expected to require 45 percent of net revenues. Principal and interest paid for the current year and net system revenues were $1,269,717 and $4,092,010, 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 $3,819,887, with annual payments expected to require 23 percent of net revenues. Principal and interest paid for the current year and net system revenues were $342,425 and $1,242,077, respectively.

(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, 2011, the City made rental payments of approximately $2.8 million to the Commission.

As of August 31, 2011, the Commission has bonds outstanding of $41,240,000 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.

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.

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, 2011, total assets of JAVA reached approximately $189 million, an increase of $7 million from the prior year. The City's equity interest increased by approximately $6 million to $159 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 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 at an established rate schedule. The total amount of payments to LES for management, operations, and maintenance services was approximately $574,000 in 2010. The increase is due to management of the new SW 40th Thermal Energy System plant construction. The total amount of payments to LES for energy was approximately $95,000 in 2010.

Nebraska Utility Corporation

On May 17, 2001, LES, in conjunction with another governmental entity, created the Nebraska Utility Corporation (NUCorp) to purchase, lease, construct, and finance facilities and acquire services in order to furnish energy requirements, utility and infrastructure facilities, and all related energy, utility, and infrastructure services to counties, cities, villages, school districts, sanitary and improvement districts, or other municipal corporations or political subdivisions of the State of Nebraska or political subdivisions of another state. The Board of Directors of NUCorp is comprised of five members: three members appointed by the University of Nebraska 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, operations, and maintenance services was approximately $120,000 in 2010. The total amount of payments to LES for energy was approximately $11 million in 2010.

(25) SUBSEQUENT EVENTS

In November 2011, the City issued $4,600,000 in Certificates of Participation, Series 2011B, to provide funds for the acquisition of street lights, computer software, and construction and equipping a new golf clubhouse. Interest rates range from 2.000 to 2.625 percent and the final maturity is September 2021. Debt service principal payments are scheduled annually at amounts that range from $350,000 to $605,000.

Also in November 2011, the City issued $3,000,000 of General Obligation Special Assessment Revolving Fund Bonds, Series 2011B, to provide funds to maintain and replenish the Special Assessment Revolving Fund for the purpose of paying the costs of improvements. The interest rates on the bonds range from 2.000 to 3.500 percent and the final maturity is August 2031. Debt service principal payments are scheduled annually at amounts that range from $120,000 to $200,000.

CITY OF LINCOLN, NEBRASKA
Required Supplementary Information
August 31, 2011

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, 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)
August 31, 2006	157,527	161,583	4,056	97.5	30,724	13.2

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

Year Ended August 31	Annual Required Contribution	Annual Pension Contribution	Percentage Contributed
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
2006	4,077	2,893	71

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, 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

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE

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SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE

The following is a summary of certain definitions used in and provisions of the Ordinance. Summaries of certain definitions contained in the Ordinance are set forth below. Other terms defined in the Ordinance for which summary definitions are not set forth below are indicated by capitalization. This summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the Ordinance, to which reference is hereby made. Copies of the Ordinance may be obtained from the City or the Underwriter.

Definitions

The terms defined below are among those used in the summary of the Ordinance. Except where otherwise indicated or provided, words in the singular include the plural and vice versa.

"Accreted Value" means, with respect to any Capital Appreciation Bond, the principal amount thereof plus the interest accrued thereon from the date of original issuance thereof to the Periodic Compounding Date next preceding the date of computation or the date of computation if a Periodic Compounding Date, such interest to accrue at the interest rate per annum of the Capital Appreciation Bonds determined in accordance with such Series Ordinance compounded periodically on each Periodic Compounding Date, plus, if such date of computation shall not be a Periodic Compounding Date, a portion of the difference between the Accreted Value as of the immediately preceding Periodic Compounding Date (or the date of original issuance if the date of computation is prior to the first Periodic Compounding Date succeeding the date of original issuance) and the Accreted Value as of the immediately succeeding Periodic Compounding Date, calculated based upon an assumption that, unless otherwise provided in such Series Ordinance, Accreted Value accrues in equal daily amounts on the basis of a year consisting of twelve 30-day months.

"Act" means Sections 15-244 and 18-1803 to 18-1805, inclusive, Reissue Revised Statutes of Nebraska, as amended, and Section 44 of Article IX of the Charter of the City, as each may be amended from time to time.

"Aggregate Debt Service" for any period means, as of any date of calculation, the sum of the amounts of Debt Service for such period with respect to all Bonds.

"Appreciated Value" means, with respect to any Deferred Income Bond, (a) as of any date of computation prior to the Current Interest Commencement Date with respect to such Deferred Income Bond, an amount equal to the principal amount of such Bond plus the interest accrued on such Bond from the date of original issuance of such Bond to the Periodic Compounding Date next preceding the date of computation or the date of computation if a Periodic Compounding Date, such interest to accrue at the interest rate per annum of the Deferred Income Bonds determined in accordance with the Series Ordinance authorizing such Bonds, compounded periodically on each Periodic Compounding Date, plus, if such date of computation shall not be a Periodic Compounding Date, a portion of the difference between the Appreciated Value as of the immediately preceding Periodic Compounding date (or the date of original issuance if the date of computation is prior to the first Periodic Compounding Date succeeding the date of original issuance) and the Appreciated Value as of the immediately succeeding Periodic Compounding Date, calculated based upon an assumption that, unless otherwise provided in the Series Ordinance authorizing such Deferred Income Bonds, Appreciated Value accrues in equal daily amounts on the basis of a year consisting of twelve 30-day months and (2) as of any date of computation on and after the Current Interest Commencement Date, the Appreciated Value on the Current Interest Commencement Date.

"Arbitrage Instructions" means the Arbitrage Instructions included with any Tax Certificate, as the same may be amended or supplemented in accordance with the provisions thereof.

"Authorized Investments" means any of the following investments in which the City may legally invest sums subject to its control pursuant to the Constitution and statutes of the State and the Charter of the City (all as may be amended from time to time):

(a) Any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States, including obligations of any Federal agency to the extent unconditionally guaranteed by the United States, and any certificates or any other evidences of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this paragraph (a);

(b) Any bonds or other obligations of any state of the United States or of any agency, instrumentality or local governmental unit of any such state (1) which are (A) not callable prior to maturity or (B) as to which irrevocable instructions have been given to the trustee or paying agent of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (2) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in paragraph (a) above which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption date or dates specified in the irrevocable instructions referred to in clause (1) of this paragraph (b), as appropriate, (3) as to which the principal of and interest on the bonds and obligations of the character described in clause (1) above which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph (b) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (1) of this paragraph (b) as appropriate, and any certificates or any other evidences of an ownership interest in obligations or specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this paragraph (b);

(c) Any bonds or other obligations or specified portions thereof (which may consist of specified portions of the interest thereon) which the Finance Director determines are of credit quality essentially equivalent to the investments described in paragraph (a) above, and any certificates or any other evidences of an ownership interest in obligations or specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this paragraph (c);

(d) Bonds, debentures, or other evidences of indebtedness issued or guaranteed by any agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States;

(e) New housing authority bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States; or project notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States;

(f) Obligations of any state of the United States, or of any agency, instrumentality or local government unit of any such state which are, at the time of purchase, rated by Moody's and Standard & Poor's in either of its two highest whole rating categories, for comparable types of debt obligations;

(g) Certificates of deposit, whether negotiable or nonnegotiable, issued by any bank or trust company organized under the laws of any state of the United States or any national banking association (including the Registrar) or any savings and loan association, in each case, which is an insured depository institution (as defined in 12 U.C.C. §§ 1801 et seq.) provided that the aggregate principal amount of all certificates of deposit issued by any such bank, trust company, national banking association or savings and loan association which are purchased with monies held in any fund or account under the Ordinance shall be (1) fully insured by the Federal Deposit Insurance Corporation or (2) secured, to the extent not insured by the Federal Deposit Insurance Corporation, by such securities as are described in paragraphs (a) through (f), inclusive, or paragraphs (h) through (j), inclusive, of this definition having market value (exclusive of accrued interest, other than accrued interest paid in connection with the purchase of such securities) at least equal to the principal amount of such certificates of deposit (or portion thereof not insured by the Federal Deposit Insurance Corporation) which shall be lodged with the Registrar or another fiduciary, as custodian, by such bank, trust company, national banking association or savings and loan association shall furnish the Registrar or the City Treasurer, as the case may be, with an undertaking satisfactory to him or it that the aggregate market value of all such obligations securing such certificates of deposit will at all times be an amount which meets the requirements of this clause (2) and the City Treasurer or the Registrar, as the case may be, shall be entitled to rely on each such undertaking;

(h) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1" by Standard & Poor's and which matures not more than 270 calendar days after the date of purchase;

(i) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by Standard & Poor's;

(j) Any repurchase agreement which is secured by any one or more of the securities described in paragraphs (a) through (e), inclusive, of this definition;

(k) Interests in a portfolio of debt instruments containing only obligations described in any of the foregoing paragraphs, including, without limitation, a mutual fund or a money market fund satisfying the requirements of this paragraph (k); and

(l) Any other obligations which are, at the time of purchase, rated by Moody's and Standard & Poor's or which are guaranteed or provided by an entity which is rated by Moody's and Standard & Poor's in either of its two highest whole rating categories.

"Bond" or **"Bonds"** means any bonds, notes or other obligations or evidences of indebtedness, as the case may be, authenticated and delivered under and Outstanding pursuant to the Ordinance but shall not mean Subordinated Indebtedness.

"Bond Fund" means The City of Lincoln, Nebraska Solid Waste Management Revenue Bond Fund established pursuant to the Ordinance.

"Bond Obligation" means, as of any date of calculation, (a) with respect to any Outstanding Current Interest Bond, the principal amount of such Bond, (b) with respect to any Outstanding Capital Appreciation Bond, the Accreted Value thereof as of the date on which interest on such Capital Appreciation Bond is compounded next preceding such date of calculation (unless such date of calculation is a date on which such interest is compounded, in which case, as of such date), and (c) with respect to any Outstanding Deferred Income Bond, the Appreciated Value thereof as of the date on which interest on such Deferred Income Bond is computed next preceding such date of calculation (unless such date of calculation is a date on which such interest is compounded, in which case as of such date).

"Capital Appreciation Bonds" means any Bonds the interest on which is (a) compounded periodically on dates that are determined in accordance with the Series Ordinance authorizing such Capital Appreciation Bonds and (b) payable only at the maturity, earlier redemption or other payment thereof pursuant to the Ordinance or the Series Ordinance authorizing such Capital Appreciation Bonds.

"Construction Fund" means the Construction Fund established with the City pursuant to the provisions of the Ordinance.

"Costs," with respect to the Enterprise or any part thereof, means the costs, expenses and liabilities paid or incurred or to be paid or incurred by the City in connection with the planning, engineering, designing, acquiring, constructing, installing, financing, operating, maintaining, repairing, extending, improving, reconstructing, retiring, decommissioning and disposing thereof and the obtaining of governmental approvals, certificates, permits and licenses with respect thereto, including, but not limited to, any good faith or other similar payment or deposits required in connection with the acquisition or construction of such part of the Enterprise, the cost of acquisition by or for the City of real and personal property or any interests therein, costs of physical construction of such part of the Enterprise and costs of the City incidental to such construction or acquisition, all costs relating to injury and damage claims relating to such part of the Enterprise, preliminary investigation and development costs, engineering fees and expenses, contractors' fees and expenses, the costs of labor, materials, equipment and utility services and supplies, legal and financial advisory fees and expenses, capitalized interest and financing costs, including, without limitation, bank commitment and letter of credit fees and bond insurance and indemnity premiums, fees and expenses of the Fiduciaries (if any), administration and general overhead expense and costs of keeping accounts and making reports required by the Ordinance prior to or in connection with the completion of acquisition or construction of such part of the Enterprise, amounts, if any, required by the Ordinance to be paid into the Bond Fund to provide, among other things, for interest accruing on Bonds or into the Reserve Fund to provide for such reserves, if any, as may be specified in a Series or Supplemental Ordinance or to be paid into the Revenue Fund for any of the respective purposes thereof, payments when due (whether at the maturity of principal or the due date of interest or upon redemption) on any indebtedness of the City with respect to the Enterprise and reserves therefor, and all federal, state and local taxes and payments in lieu of taxes in connection with any part of the Enterprise and shall include reimbursements to the City for any of the above items theretofore paid by or on behalf of the City.

"Credit Facility" means a letter of credit, line of credit, liquidity facility or other credit facility issued by a financial institution or other form of credit enhancement, including, but not limited to, municipal bond insurance and guarantees, delivered to the Paying Agent for all or a portion of a Series of Bonds, which provides for payment, in accordance with the terms of such Credit Facility, of principal, Accreted Value, Appreciated Value, premium and/or interest of all or a portion of a Series of Bonds and/or the purchase price of such Series of Bonds or portion thereof. A Credit Facility may be comprised of one or more credit facilities issued by one or more financial institutions.

"Current Interest Bonds" means the Bonds of any Series, other than Capital Appreciation Bonds or Deferred Income Bonds, which pay interest at least annually to the Owners thereof excluding the first payment of interest thereon.

"Current Interest Commencement Date" means with respect to any particular Deferred Income Bonds, the date determined in accordance with the Series Ordinance authorizing such Deferred Income Bonds (which date must be prior to the maturity date for such Deferred Income Bonds) after which interest accruing on such Deferred Income Bonds shall be payable periodically on dates determined

in accordance with such Series Ordinance, with the first such payment date being the first such periodic date immediately succeeding such Current Interest Commencement Date.

"Debt Service" for any period means, as of any date of calculation and with respect to any Series of Bonds, an amount equal to the sum of (a) interest accruing during such period on Bonds of such Series, except to the extent that such interest is to be paid from deposits in the Bond Fund made from the proceeds of Bonds, Subordinated Indebtedness or other evidences of indebtedness of the City (including amounts, if any, transferred thereto from the Construction Fund) and (b) that portion of each Principal Installment for such Series which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for Bonds of such Series (or, if (1) there shall be no such preceding Principal Installment due date or (2) such preceding Principal Installment due date is more than one year prior to the due date of such Principal Installment, then, from a date one year preceding the due date of such Principal Installment or from the date of issuance of the Bonds of such Series, whichever date is later). Such interest and Principal Installments for Bonds of such Series shall be calculated on the assumption that (A) no Bonds (except for Option Bonds actually tendered for payment prior to the stated maturity thereof) of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof, (B) the principal amount of Option Bonds tendered for payment before the stated maturity thereof shall be deemed to accrue on the date required to be paid pursuant to such tender, and (C) the Reserve Requirement held in an account in the Reserve Fund with respect to a Series of Bonds will be applied to the final maturity of such Series of Bonds.

"Deferred Income Bonds" means any Bond issued under the Ordinance as to which interest accruing prior to the Current Interest Commencement Date is (a) compounded periodically on dates determined in accordance with the Series Ordinance authorizing such Deferred Income Bonds and (b) payable only at the maturity, earlier redemption or other payment thereof pursuant to the Ordinance or the Series Ordinance authorizing such Deferred Income Bonds.

"Depreciation" means the depreciation and amortization expenses with respect to the Enterprise, classified as such in accordance with generally accepted accounting principles for proprietary governmental operations such as the Enterprise.

"Enterprise" means all properties and assets, and interests in properties and assets, real and personal and tangible and intangible, of the City now or hereafter existing used for or pertaining to collecting, separating, storing, transporting, transferring, processing, treating, disposing or recycling solid waste and shall be broadly construed to encompass and include all Projects, now existing and hereafter acquired by lease, contract, purchase or otherwise or constructed by the City, including any interest or participation of the City in any such facilities or any rights to the output or capacity thereof, together with all additions, betterments, extensions and improvements to such facilities, properties or assets or any part thereof hereafter made and together with all lands, easements and rights of way of the City and all other works, property or structures of the City and contract rights and other tangible and intangible assets of the City used or useful in connection with any of the foregoing.

"Federal Securities" means direct obligations of, or obligations the timely payment of which are unconditionally guaranteed by, the United States or the Treasury Department of the United States or securities or receipts evidencing direct ownership interests in the foregoing obligations or specific portions (such as principal or interest) of the foregoing obligations which are maintained under the book entry system operated by Federal Reserve Banks.

"Independent Consultant" means an independent firm, person or corporation recognized as having expertise and with a favorable reputation for special skill and knowledge in the operations and financing of municipal solid waste management facilities similar in size to the Enterprise.

"Insurance Consultant" means an individual or firm selected by the City qualified to survey risks and to recommend insurance coverage for entities engaged in operations similar to those of the Enterprise and having a favorable reputation for skill and experience in making such surveys and recommendations.

"Interest Account" means the account by that name established in the Bond Fund pursuant to the provisions of the Ordinance.

"Municipal Obligations" means municipal obligations, rated in the highest Rating Category by any Rating Agency meeting the following conditions:

(a) the municipal obligations are not to be redeemable prior to maturity, or the trustee, registrar or paying agent, as appropriate, with respect to such obligations has been given irrevocable instructions concerning their calling and redemption;

(b) the municipal obligations are secured by Federal Securities, which Federal Securities, except for provisions relating to surplus money not required for the payment of the municipal obligations and the substitution of such Federal Securities for other Federal Securities satisfying all criteria for Federal Securities, may be applied only to interest, principal and premium payments of such municipal obligations;

(c) the principal of and interest on the Federal Securities (plus any cash in the escrow fund) are sufficient, without reinvestment, to meet the liabilities of the municipal obligations; and

(d) the Federal Securities serving as security for the municipal obligations are held by an escrow agent or trustee.

"Net Revenues" means Revenues less Operation and Maintenance Expenses plus Depreciation, determined in accordance with generally accepted accounting principles for proprietary governmental operations such as the Enterprise.

"Operation and Maintenance Expenses" means the necessary expenditures for operating and maintaining the Enterprise and shall include expenditures generally classified as operating expenses in accordance with generally accepted accounting principles for proprietary governmental operations such as the Enterprise.

"Option Bonds" means Bonds which by their terms may or are required to be tendered by and at the option of the Owner thereof for payment by the City prior to the stated maturity thereof, or the maturities of which may be extended by and at the option of the Owner thereof.

"Outstanding" means, when used as of any particular time with reference to Bonds (subject to the provisions of the Ordinance), all Bonds theretofore, or thereupon being, authenticated and delivered by the Registrar under the Ordinance except (a) Bonds theretofore cancelled by the Paying Agent or surrendered to the Paying Agent for cancellation (or in the case of Book-Entry Bonds, to the extent provided in the Ordinance, portions thereof deemed to have been cancelled); (b) Bonds (or in the case of Book-Entry Bonds, to the extent provided in the Ordinance, portions thereof) with respect to which all liability of the City shall have been discharged in accordance with the Ordinance; (c) Bonds for the

transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Registrar pursuant to the Ordinance; and (d) Bonds no longer deemed to be outstanding under the Ordinance as provided in the Series Ordinance pursuant to which such Bonds were issued.

"Paying Agent" means the person or institution, which may include the City Treasurer or the Finance Director or his designee, or such other agent or official of the City as may be designated in a Series Ordinance to make payments of the principal or Redemption Price of and interest on the Series of Bonds authorized by such Series Ordinance to the registered owners thereof.

"Payment Date" means, with respect to a Series of Bonds, the date upon which any principal, Accreted Value, Appreciated Value or Redemption Price, and interest thereon is payable to the registered owners of such Series of Bonds.

"Periodic Compounding Date" means, with respect to a Capital Appreciation Bond or a Deferred Income Bond, the periodic date determined in accordance with the Series Ordinance authorizing such Capital Appreciation Bond or Deferred Income Bond on which interest on such Bond is to be compounded.

"Principal Account" means the account by that name established in the Bond Fund pursuant to the provisions of the Ordinance.

"Principal Installment" means, as of any date of calculation and with respect to any Series, so long as any Bonds thereof are Outstanding, (a) the principal amount of Bonds (including the principal amount of any Option Bonds tendered for payment prior to the stated maturity thereof) of such Series due (or so tendered for payment) on a certain future date for which no Sinking Fund Installments have been established, or (b) the unsatisfied balance (determined as provided in the Ordinance) of any Sinking Fund Installments due on a certain future date for Bonds of such Series, plus the amount of the sinking fund redemption premiums, if any, which would be applicable upon redemption of such Bond on such future date in a principal amount equal to such unsatisfied balance of such Sinking Fund Installments, or (c) if such future dates coincide as to different Bonds of such Series, the sum of such principal amount of Bonds and of such unsatisfied balance of Sinking Fund Installments due on such future date plus such applicable redemption premiums, if any.

"Project" means any solid waste management facilities, and all other property, real and personal, of every kind and nature material or pertinent thereto or necessary therefor, located within or without the City or the State, which may be used by or useful to the City in the collection, separation, storage, transportation, transfer, processing, treatment, disposal or recycling of solid waste, including any interest therein or right to capacity thereof, and may include, without limitation, a divided or undivided interest of the foregoing facilities in which the City may participate as an owner in common with others.

"Prudent Enterprise Management" means any of the practices, methods and acts (including, without limitation, any practices, methods and acts engaged in or approved by a significant portion of the solid waste management industry) which, in the exercise of reasonable judgment, in the light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at reasonable cost consistent with reliability, safety and expediency. In applying the standard of Prudent Enterprise Management to any matter under the Ordinance, equitable consideration shall be given to the circumstances, requirements and obligations of the City, and there shall be taken into account the fact that the City is a political subdivision of the State with prescribed statutory powers, duties and responsibilities. Prudent Enterprise Management is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather is a spectrum of possible practices, methods or acts which could

have been expected to accomplish the desired result at reasonable cost consistent with reliability, safety and expediency. Prudent Enterprise Management includes due regard for manufactures' warranties and the requirements of governmental agencies which have jurisdiction.

"Rebate Fund" means the Rebate Fund established with the City pursuant to the provisions of the Ordinance.

"Redemption Price" means, with respect to any Bond (or portion thereof), the principal amount, Accreted Value or Appreciated Value of such Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and the Ordinance.

"Registrar" means the person or institution, which may include the City Treasurer or the Finance Director or his designee, or such other agent or official of the City as may be designated in a Series Ordinance to maintain on behalf of the City books of record in which the registered owners of the Bonds authorized by such Series Ordinance and their registered addresses shall be duly recorded.

"Reserve Fund" means the Reserve Fund established with the City pursuant to the provisions of the Ordinance, in which there shall be established an account for each Series of Bonds issued pursuant to the Ordinance.

"Reserve Requirement" means, with respect to a Series of Bonds, an amount which is equal to the lower of (a) the maximum annual Debt Service requirements on such Series of Bonds, or (b) 125% of average annual Debt Service requirements on such Series of Bonds; provided that the amount required to be deposited into any account in the Reserve Fund in connection with the issuance of any Series of Bonds shall not exceed 10% of the original principal amount of such Series of Bonds (adjusted as required by the Code for any original issue discount or original issue premium).

"Revenue Fund" means the Solid Waste Management Revenue Fund created with the City pursuant to the provisions of the Ordinance, into which all of the Revenues of the Enterprise shall be deposited.

"Revenues" means (a) all income and revenues derived from the use or operation of the Enterprise, including investment and rental income, sale of useable materials and any net proceeds from business interruption insurance, plus (b) the proceeds of the occupation tax imposed by Section 8.32.150 of the Lincoln Municipal Code, plus (c) such other revenues and income as shall be determined to be appropriate in accordance with generally accepted accounting principles for proprietary governmental operations such as the Enterprise, but shall exclude any amounts received from the sale of assets of the Enterprise.

"Sinking Fund Account" means the account by that name established in the Bond Fund pursuant to the provisions of the Ordinance.

"Sinking Fund Installment" means an amount so designated which is established pursuant to a Series Ordinance authorizing a Series of Bonds and which is required by the Ordinance to be deposited in the Sinking Fund Account for the payment of Term Bonds of such series and maturity.

"Subordinated Indebtedness" means an evidence of indebtedness or obligation to pay money complying with the provisions of the Ordinance.

"Tax Certificate" means the certificate dated as of the date of issuance, sale and delivery of a Series of Bonds concerning the requirements of the Internal Revenue Code of 1986, as amended, and any applicable regulations with respect to such Series of Bonds.

"Variable Rate Indebtedness" means any indebtedness or obligation the interest rate on, or amount of, which is not fixed at the time of incurrence of such indebtedness or obligation, and has not at some subsequent date been fixed, at a single numerical rate for the entire remaining term of the indebtedness or obligation.

Pledge

The Bonds of each Series are special, limited revenue obligations of the City and are secured by a pledge of and shall be a charge upon and shall be payable, as to the principal, Accreted Value and Appreciated Value thereof, interest thereon, and any premiums upon redemption thereof, solely from and secured by a lien upon (a) the Net Revenues and (b) the other funds, assets and security described under the Ordinance and under the Series Ordinance creating such Series. In the Ordinance, the City pledges and places a charge upon all Net Revenues to secure the payment of the principal, Accreted Value and Appreciated Value of, premium, if any, and interest on the Bonds in accordance with their respective terms without priority or distinction of one over the other, subject only to the provisions of the Ordinance, permitting the application thereof for the purposes and on the terms and conditions set forth in the Ordinance, and the Net Revenues constitute a trust for the security and payment of the interest and any premium on and principal, Accreted Value and Appreciated Value of the Bonds. The Ordinance pledges to secure the payment of the principal, Accreted Value and Appreciated Value of and premium, if any, and interest on the Bonds in accordance with their terms all amounts (including proceeds of the Bonds) held by the City in the Bond Fund and the Reserve Fund, subject only to the provisions of the Ordinance permitting the application thereof for the purposes and on the terms and conditions set forth therein. The pledge of Net Revenues made in the Ordinance shall remain in effect until there are no Bonds Outstanding.

Application of Revenues

The Net Revenues are pledged by the Ordinance to secure the payment of the principal of and interest and redemption premium on the Bonds of all Series, subject to the provisions of the Ordinance permitting application for other purposes. The Ordinance requires that all Revenues of the System be collected on each Business Day of the City by or for the account of the City and deposited as promptly as practicable after the receipt thereof in the Revenue Fund. The Revenue Fund and the money deposited therein shall be used and applied only in the manner and for the purposes provided in the Ordinance.

Funds

In addition to the Revenue Fund, the following funds and accounts, to be held by the City, are established by the Ordinance:

(a) Bond Fund, in which there is established an Interest Account, a Principal Account and a Sinking Fund Account;

(b) Reserve Fund, in which there shall be established an account for each Series of Bonds issued pursuant to the Ordinance;

(c) Rebate Fund; and

(d) Construction Fund.

At any time and from time to time, there may be established such other funds and accounts as the City shall determine to be necessary, desirable, advisable or in the best interests of City for such purposes as the City shall determine.

Revenue Fund. The Ordinance establishes the Revenue Fund into which all Revenues of the Enterprise shall be deposited. City covenants and agrees that so long as any Bonds remain Outstanding, all of the Revenues of the Enterprise shall as and when received be paid and deposited into the Revenue Fund. The Revenues shall be segregated and kept separate and apart from all other money, revenues, funds and accounts of the City and shall not be commingled with any other money, revenues, funds and accounts of the City. The Revenue Fund shall be administered and applied solely for the purposes and in the manner provided in the Ordinance.

Application of Money in Funds. Subject to the provisions of the Ordinance, the City covenants and agrees that from and after the delivery of the initial Series of Bonds under the Ordinance and continuing so long as any Bonds shall remain Outstanding, it will on the first day of each month administer and allocate all of the money then held in the Revenue Fund as follows:

(a) *Operation and Maintenance.* All Operation and Maintenance Expenses shall be paid out of the Revenue Fund as and when due and payable. The Treasurer shall determine the amount reasonably necessary to be retained in the Revenue Fund to pay Operation and Maintenance Expenses for the remainder of such month.

(b) *Bond Fund.* There shall next be paid and credited monthly to the Interest Account, the Principal Account and the Sinking Fund Account in the Bond Fund, an amount such that if the same amount were deposited on the first day of each month thereafter, the balance on the next succeeding Payment Date (a) of the Interest Account would be sufficient to pay the interest due on the Bonds, (b) the Principal Account would be sufficient to pay the principal amount maturing with respect to the Bonds, and (c) the Sinking Fund Account would be sufficient to pay any Sinking Fund Installment (or any unsatisfied balance thereof) due with respect to the Bonds. Any amounts deposited in the Interest Account as accrued interest or as capitalized interest in accordance with a Series Ordinance shall be credited against the City's payment obligations as set forth in the Ordinance.

(c) *Reserve Fund.* After all payments and credits required at the time to be made under the provisions of subsections (a) and (b) above have been made, there shall next be paid and credited to each Account established in the Reserve Fund, all remaining Revenues until the amount on deposit in each Account in the Reserve Fund aggregates the Reserve Requirement for the Series of Bonds for which such Account was established. So long as each Account in the Reserve Fund aggregates the Reserve Requirement with respect to the Series of Bonds for which such Account was established, no further payments into said Account shall be required, but if the City is ever required to expend and use a part of the money in any Account for authorized purposes and such expenditure reduces the amount of said Account below the Reserve Requirement for the Series of Bonds for which such Account was established, the City shall resume and continue such monthly payments into said Account until such Account shall again aggregate the Reserve Requirement with respect to the Series of Bonds for which such Account was established.

(d) *Deficiency of Payments into Funds or Accounts.* If at any time the Revenues derived from the operation of the Enterprise are insufficient to make any payment on the date or dates specified,

the City will make good the amount of such deficiency by making additional payments or credits out of the first available Revenues thereafter received from the operation of the Enterprise, such payments and credits being made and applied in the order specified under this caption.

Bond Fund

The City shall pay out of the Bond Fund to the respective Paying Agents not less than three Business Days before (a) each Payment Date for any of the Bonds (1) from the Interest Account, the amount required to pay the interest then due on the Bonds, (2) from the Principal Account, the amount required to pay any principal then maturing with respect to the Bonds, and (3) from the Sinking Fund Account, the amount required to pay any Sinking Fund Installment (including any unsatisfied balance thereof) then due with respect to the Bonds; and (b) before any redemption date for the Bonds, the amount required for the payment of interest on and the Redemption Price of the Bonds then to be redeemed. Such amounts shall be applied by the Paying Agents on the due dates thereof. The City shall also pay out of the Interest Account the accrued interest included in the purchase price of the Bonds purchased for retirement.

The amount, if any, deposited in the Bond Fund from the proceeds of each Series of Bonds shall be set aside in the Bond Fund and applied to the payment of interest on Bonds in accordance with the Series Ordinance pursuant to which such Series of Bonds were authorized. The amount, if any, deposited in the Bond Fund from the proceeds of Subordinated Indebtedness or other evidences of indebtedness of the City shall be set aside in the Bond Fund and applied to the payment of interest on Bonds in accordance with the Series Ordinance authorizing such Subordinated Indebtedness.

In the event of the refunding or defeasance of any Bonds, the City shall withdraw from the Bond Fund all or any portion of the amounts accumulated therein allocable to such Bonds and deposit such amounts with the Paying Agent(s) to be held for the payment of the principal or Redemption Price, if applicable, and interest on the Bonds being refunded; provided that such withdrawal shall not be made unless immediately thereafter the Bonds being refunded shall be deemed to have been paid pursuant to the Ordinance. In the event of such refunding or defeasance, the City may also withdraw from the Bond Fund all or any portion of the amounts accumulated therein allocable to such Bonds and deposit such amounts in any fund or account established under the Ordinance; provided that such withdrawal shall not be made unless subsection (a) of the first paragraph under this caption has been satisfied.

Reserve Fund

(a) The Ordinance requires that the City establish a debt service reserve account within the Reserve Fund for each Series of Bonds issued pursuant to the Ordinance for the benefit and security of such Series of Bonds. The City shall hold any such Account and shall deposit therein from the proceeds of the Series of Bonds for which such Account is established or from other funds of the City legally available therefore, an amount equal to the Reserve Requirement for such Series of Bonds.

(b) If any withdrawal from any Account in the Reserve Fund is made for the purpose of subsection (c)(1) below, the amount of such withdrawal shall be restored by the City in no more than 12 substantially equal, consecutive, monthly installments, each payable on the last Business Day of the month, commencing with the month in which the withdrawal is made; provided that, if any withdrawal is made and if, prior to the restoration of the amount withdrawn, an additional withdrawal is made, such additional withdrawal shall be restored in equal monthly installments over the remainder of the restoration period for the initial withdrawal.

(c) Money on deposit in any Account in the Reserve Fund shall be applied as follows:

(1) On the date of each required payment from the Bond Fund with respect to a Series of Bonds, money in the Account established in the Reserve Fund with respect to such Series of Bonds shall be applied to cure any deficiency in the Bond Fund with respect thereto.

(2) Any amount in any Account in the Reserve Fund in excess of the Reserve Requirement with respect to the Series of Bonds for which such Account was established shall be transferred to the Bond Fund and credited against the payments of the principal and interest next becoming due on such Series of Bonds.

(3) On the interest Payment Date immediately preceding the final maturity date of a Series of Bonds, money held in the Account established in the Reserve Fund with respect to such Series of Bonds shall be deposited into the Bond Fund and credited against the deposits required to be made into the Bond Fund with respect to such Series of Bonds but only to the extent that, immediately following such crediting and transfer, the amount on deposit in such Account in the Reserve Fund is equal to the lesser of (A) the Reserve Requirement with respect to such Series of Bonds and (B) the amount of principal and interest due in respect of such Series of Bonds on such final maturity date.

(d) The City shall be permitted to substitute a Credit Facility for funds on deposit in any Account in the Reserve Fund, provided that:

(1) the Credit Facility (including any replacement Credit Facility) is issued by a bank, trust company, national banking association or insurance company whose unsecured long term debt obligations (in the case of a bank, trust company or national banking association) or whose claims paying abilities (in the case of an insurance company) are rated not lower than the "AAA" Rating Category by a Rating Agency at the time the Credit Facility is issued and at the time of each extension or renewal thereof;

(2) the issuer of the Credit Facility does receive as security for any reimbursement obligation in respect of the Credit Facility a lien solely on the Net Revenues on a parity with any Bonds then Outstanding; and

(3) the Credit Facility (including any replacement Credit Facility, if provided by a different issuer) has an initial term of not less than one year and any extension, renewal or replacement (if provided by the same issuer) thereof has a term of not less than one year.

Upon such substitution, funds on deposit in any Account in the Reserve Fund which, when added to the face amount of the Credit Facility, exceed the Reserve Requirement on the Bonds for which such Account was established, shall be applied as provided in subsection (c)(2) above (subject to yield restriction, if any, as determined by Bond Counsel). Thereafter, the Credit Facility shall be considered a part of such Account in the Reserve Fund and the amount available thereunder shall be included in any calculations of the amount required to be retained in such Account; provided that, (A) if the sum of the amount available under the Credit Facility and the amount of money on deposit in such Account in the Reserve Fund exceed the amount required to be on deposit pursuant to subsection (a) above, the City shall be permitted (1) to cause the amount available under the Credit Facility to be reduced by an amount equal to such excess, or (2) to direct that the excess money be applied as permitted under subsection (c)(2) above, and (B) if the Credit Facility is not extended, renewed or replaced at least six months prior to its scheduled expiration or termination date, the City shall be obligated to restore the difference between the Reserve Requirement and the value of such Account in the Reserve Fund computed without regard to the Credit Facility prior to the expiration or termination date of such Credit Facility.

Rebate Fund

(a) There shall be deposited into the Rebate Fund such amounts as are required to be deposited therein pursuant to the Arbitrage Instructions. All money in the Rebate Fund shall be held in trust, to the extent required to satisfy the Rebate Amount (as defined in the Arbitrage Instructions), for payment to the United States, and neither the City nor the Owner of any Bond 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 these provisions and the Arbitrage Instructions.

(b) The City shall periodically determine the rebatable arbitrage under Section 148(f) of the Code in accordance with the Arbitrage Instructions, and the City shall make payments to the United States at the times and in the amounts determined under the Arbitrage Instructions. Any funds remaining in the Rebate Fund after redemption and payment of all of the Bonds and the interest thereon, and payment and satisfaction of any Rebate Amount, or provision made therefor, shall be released to the City.

(c) Notwithstanding any other provision of the Ordinance, the obligation to pay rebatable arbitrage to the United States and to comply with all other requirements of these provisions and the Arbitrage Instructions shall survive the defeasance or payment in full of the Bonds.

Construction Fund

(a) There shall be paid into the Construction Fund such amounts from the proceeds of a Series of Bonds as may be required by the provisions of the Ordinance and any Series Ordinance. Amounts in the Construction Fund shall be applied to pay the Costs of the Enterprise in the manner provided under this heading.

(b) The proceeds of insurance maintained pursuant to the Ordinance against physical loss of or damage to any portion of the Enterprise, or of contractors' performance bonds with respect thereto, pertaining to the period of construction thereof, shall, upon receipt by the City, be paid into the Construction Fund.

(c) The City shall make payments from the Construction Fund in the amounts, at the times, in the manner and on the other terms and conditions established by the City.

(d) Notwithstanding any of the other provisions regarding the Construction Fund, to the extent that other money is not available therefor, amounts in the Construction Fund shall be applied to the payment of principal, Accreted Value or Appreciated Value of and interest on Bonds when due.

(e) Amounts credited to the Construction Fund which the City at any time determines to be in excess of the amounts required for the purposes thereof may be transferred to the Bond Fund.

(f) Nothing in the Ordinance shall be construed to prevent the City from permanently discontinuing the acquisition or construction of any portion of the Enterprise, the Costs of which are at the time being paid out of the Construction Fund, if the City determines that such discontinuance is necessary or desirable in the conduct of the business of the City and not disadvantageous to the Owners of the Bonds.

Subordinated Indebtedness

The City may, at any time, or from time to time, issue Subordinated Indebtedness for any lawful purpose of the City related to the Enterprise, which Subordinated Indebtedness shall be payable out of, and may be secured by a security interest in and pledge and assignment of, such amounts in the Revenue Fund after all of the payments and credits required under the caption "Application of Money in Funds" have been made for the purpose of payment thereof; provided, however, that any security interest and pledge and assignment shall be, and shall be expressed to be, subordinated in all respects to the security interest in and pledge created by the Ordinance as security for the Bonds.

Investment of Funds

Unless limited by the provisions of a Series Ordinance, all amounts held in any fund or account established under the Ordinance may be invested and reinvested in Authorized Investments which investments shall mature not later than such times as shall be necessary to provide money when needed for payments to be made from such funds and accounts. Any Paying Agent shall make all such investments of money held by it in accordance with written instructions received from any Authorized Representative. If any Paying Agent does not receive any such written instructions, such Paying Agent shall invest such fund in such Federal Securities as the Paying Agent shall determine.

Interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investment) earned on any money or investments in any fund or account shall be paid into the respective fund or account in which such investment is held; provided, however, that at the direction of the City, such interest earned on money or investments in any such fund or account or any portion thereof shall be paid into the Construction Fund. Interest earned on any money or investments in the Construction Fund shall be held in the Construction Fund for application as provided in the Ordinance or paid into the Revenue Fund.

In computing the amount in any fund or account created under the provisions of the Ordinance for any purpose provided in the Ordinance, obligations purchased as an investment of money therein shall be valued as provided in the applicable policies established by the City from time to time.

Rates, Fees and Charges

The City will fix, establish, maintain and collect such rates, charges and fees for the use of and services furnished by the Enterprise and revise such rates, charges and fees to produce Revenues each Fiscal Year sufficient:

(a) to pay all Operation and Maintenance Expenses;

(b) to produce Net Revenues equal to 125% of the annual Debt Service due and payable in such Fiscal Year of the then Outstanding Bonds; and

(c) to pay after deducting the amounts determined in subsection (a) and (b) above, all other financial obligations of the Enterprise reasonably anticipated to be paid from Revenues.

If the Net Revenues in any Fiscal Year are less than the aggregate amount specified above the City shall within 60 days from the date of receipt of the annual audit for such Fiscal Year either (1) cause such rates and charges to be revised and adjusted to comply with this covenant or (2) obtain a written report from an Independent Consultant after a review and study of the operations of the Enterprise has been made concluding that, in their opinion, the rates and charges then in effect for the current Fiscal

Year are sufficient or adjustments and revisions need to be made to such rates and charges to comply with this covenant and such adjustments and revisions to such rates and charges are promptly implemented and enacted in accordance with such Independent Consultant's report.

Additional Bonds

(a) So long as any of the Bonds remain Outstanding, the City will not issue any additional bonds or incur or assume any other debt obligations appearing as liabilities on the balance sheet of the City for the payment of money determined in accordance with generally accepted accounting principles including capital leases as defined by generally accepted accounting principles, payable out of the Revenues of the Enterprise or any part thereof which are superior to the Bonds.

(b) So long as any of the Bonds remain Outstanding, it will not issue any Additional Bonds payable out of the Net Revenues of the Enterprise or any part thereof which stand on a parity or equality with the Bond unless the following conditions are met:

(1) The City shall not be in default in the payment of principal of or interest on any Bonds at the time Outstanding under the Ordinance or in making any payment at the time required to be made into the respective funds and accounts created by and referred to in the Ordinance (unless such additional revenue bonds or obligations are being issued to provide funds to cure such default); and

(2) The City shall have satisfied either of the following:

(A) The annual Net Revenues derived by the City from the operation of the Enterprise for the Fiscal Year immediately preceding the issuance of such Additional Bonds shall have been equal to at least 150% of the maximum annual Debt Service required to be paid from the Net Revenues in any succeeding Fiscal Year on account of both principal (at maturity or through a Sinking Fund Installment) and interest becoming due with respect to all Outstanding Bonds of the City, including the Additional Bonds proposed to be issued; or

(B) An Independent Consultant shall project that the annual Net Revenues to be derived by the City from the operation of the Enterprise for the Fiscal Year immediately following the Fiscal Year in which the improvements to the Enterprise, the cost of which is being financed by such Additional Bonds, are to be in use and operation, shall be equal to at least 150% of the maximum annual Debt Service required to be paid out of the Net Revenues in any succeeding Fiscal Year following such use or operation on account of both principal (at maturity or through a Sinking Fund Installment) and interest becoming due with respect to all Outstanding Bonds of the City, including the Additional Bonds proposed to be issued. In determining the projected Net Revenues for the purpose of this subsection, the Independent Consultant may adjust the Net Revenues by adding thereto any estimated increase in Net Revenues resulting from any increase in rates for the use and services of the Enterprise which, in the opinion of the Independent Consultant, are economically feasible and reasonably considered necessary based on projected operations of the Enterprise.

Additional Bonds issued under the conditions set forth above shall stand on a parity with the Bonds and shall enjoy complete equality of lien on and claim against the Net Revenues with the Bonds, and the City may make equal provision for paying said Additional Bonds and the interest thereon out of the Revenue Fund.

Certain Other Covenants

Restrictions on Mortgage or Sale of Enterprise. The City will not mortgage, pledge or otherwise encumber the Enterprise or any part thereof, nor will it sell, lease or otherwise dispose of the Enterprise or any material part thereof; provided, however, the City may:

(a) sell at fair market value any portion of the Enterprise which has been replaced by other similar property of at least equal value, or which ceases to be necessary for the efficient operation of the Enterprise, and in the event of sale, the City will apply the proceeds to either (1) redemption of Outstanding Bonds in accordance with the provisions governing repayment of Bonds in advance of the maturity thereof, or (2) replacement of the property so disposed of by other property the revenues of which shall be incorporated into the Enterprise as provided;

(b) cease to operate, abandon or otherwise dispose of any property which has become obsolete, nonproductive or otherwise unusable to the advantage of the City;

(c) lease, (1) as lessor, any real or personal property which is unused or unimproved, or which has become obsolete, nonproductive or otherwise unusable to the advantage of the City, or which is being acquired as a part of a lease/purchase financing for the acquisition and/or improvement of such property; and/or (2) as lessee, with an option of the City to purchase, any real or personal property for the extension and improvement of the Enterprise. Property being leased as lessor and/or lessee pursuant to this subsection shall not be treated as part of the Enterprise for purposes of this section and may be mortgaged, pledged or otherwise encumbered.

Annual Budget. (a) For each Fiscal Year following delivery of any Bonds under the Ordinance, the City shall prepare and adopt a budget for the Enterprise for the next ensuing Fiscal Year.

(b) The City has covenanted and agreed in the Ordinance to include in the resolution approving the City's annual budget pursuant to Article IX, Section 26 of the Charter, a designation and appropriation of General Fund cash balances to pay Operation and Maintenance Expenses in an amount sufficient to produce Net Revenues equal to 110% of the annual Debt Service due and payable in such Fiscal Year if and to the extent the Net Revenues in such Fiscal Year are less than 125% of the annual Debt Service due and payable in such Fiscal Year and to the extent that such General Fund cash balances are available.

Operation and Maintenance of the Enterprise. The City shall at all times use its best efforts to operate or cause to be operated the Enterprise properly and in an efficient and economical manner, consistent with Prudent Enterprise Management, and shall use its best efforts to maintain, preserve, reconstruct and keep the same or cause the same to be so maintained, preserved, reconstructed and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make, or use its best efforts to cause to be made, all necessary and proper repairs, replacements and renewals so that at all times the operation of the Enterprise may be properly conducted. The City shall promptly pay all Operation and Maintenance Expenses and all other costs and expenses payable from the Revenues.

Maintenance of Insurance. The City will carry and maintain insurance with respect to the Enterprise and its operations against such casualties, contingencies and risks (including but not limited to property and casualty, fire and extended coverage insurance upon all of the properties forming a part of the Enterprise insofar as the same are of an insurable nature, public liability, business interruption or use and occupancy insurance, workers' compensation and employee dishonesty insurance), such insurance to be of the character and coverage and in such amounts as would normally be carried by other enterprises engaged in similar activities of comparable size and similarly situated. In the event of loss or damage, the City, with reasonable dispatch, will use the proceeds of such insurance in reconstructing and replacing the property damaged or destroyed, or in paying the claims on account of which such proceeds were received, or if such reconstruction or replacement is unnecessary or impracticable, then the City will pay and deposit the proceeds of such insurance into the Revenue Fund. The City will annually review the insurance it maintains with respect to the Enterprise to determine that it is customary and adequate to protect its property and operations. The City may elect to be self-insured for all or any part of the foregoing requirements if (a) the City annually obtains a written evaluation with respect to such self-insurance program from an Insurance Consultant, (b) the evaluation is to the effect that the self-insurance program is actuarially sound, (c) unless the evaluation states that such reserves are not necessary, the City deposits and maintains adequate reserves for the self-insurance program with a corporate trustee, who may be the Paying Agent, and (d) in the case of workers' compensation, adequate reserves created by the City for such self-insurance program are deposited and maintained in such amount and manner as are acceptable to the State. The City shall pay any fees and expenses of such Insurance Consultant in connection therewith. The cost of all insurance obtained pursuant to the requirements of the Ordinance shall be paid as an Operation and Maintenance Expense out of the Revenues of the Enterprise.

Application of Insurance Proceeds. If any useful portion of the Enterprise shall be damaged or destroyed, the City shall make due proof of loss and shall do all things necessary or desirable to cause the insuring companies to make payment in full directly to the City. The proceeds of insurance covering such property, together with any other funds available for such purpose as the City in its sole discretion shall determine, shall be used to repair the property damaged or replace the property destroyed; provided, however, if the insurance proceeds and other funds that might be lawfully appropriated therefore are insufficient to repair or replace the damaged property, then such insurance proceeds received for the damaged or destroyed property shall be deposited to the credit of a special insurance account or fund until other funds become available which, together with funds on deposit to the credit of such special insurance account, will be sufficient to make the repairs or replacements to the property damaged or destroyed that resulted in such insurance proceeds or make other improvements to the Enterprise.

Accounts and Reports. (a) The City shall keep or cause to be kept proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the Enterprise and each fund and account established under the Ordinance, and which, together with all other books and papers of the City, including insurance policies, relating to the Enterprise, shall upon reasonable advance notice and during regular business hours, be subject to the inspection of the Owners of an aggregate of not less than 5% in principal amount of the Bonds then Outstanding or their representatives duly authorized in writing.

(b) Annually, promptly after the end of each Fiscal Year, the City will cause an audit to be made of the Enterprise for the preceding Fiscal Year by a certified public accountant or firm of certified public accountants to be employed for that purpose and paid from the Revenues. Said annual audit shall cover in reasonable detail the operation of the Enterprise during such Fiscal Year.

(c) Each Paying Agent shall advise the City promptly after the end of each Fiscal Year of its transactions during such Fiscal Year relating to all balances handled by it under the Ordinance.

(d) For so long as Rule 15c2-12(b) of the Securities and Exchange Commission (the **"Rule"**) is applicable, the City covenants and agrees that it will comply with and carry out all of the provisions of each undertaking entered into by it to satisfy the requirements of the Rule with respect to each Series of Bonds issued pursuant to the Ordinance. Notwithstanding any other provision of the Ordinance, failure of the City to comply with such undertaking shall not be considered an Event of Default; however, the Owner or Beneficial Owner of any Bond may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under this heading. For purposes hereof, **"Beneficial Owner"** means any Person which (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.

Amendment of Ordinance

(a) (1) Unless such modifications or amendments are permitted under subsection (b) below, the Ordinance and the rights and obligations of the City, the Owners and any Fiduciary may only be modified or amended from time to time and at any time by filing with each Fiduciary a Supplemental Ordinance adopted by the City with the written consent of the Owners of a majority in aggregate amount of the Bond Obligation of the Bonds (or, if such Supplemental Ordinance is only applicable to a Series of Bonds, the Bonds of that Series) then Outstanding; provided that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular maturity remain outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Bonds Outstanding.

(2) No such modification or amendment shall (A) extend the fixed maturity of any Bond, or reduce the amount of the Bond Obligation thereof, or extend the time of payment or reduce the amount of any Sinking Fund Installment provided for the payment of any Bond, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Owner of each Bond so affected, (B) reduce the aforesaid percentage of the Bond Obligation the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Net Revenues and other assets pledged under the Ordinance prior to or on a parity with the lien created by the Ordinance, or deprive the Owners of the Bonds of the lien created by the Ordinance on such Net Revenues and other assets (in each case, except as expressly provided in the Ordinance), without the consent of the Owners of all of the Bonds then Outstanding, or (C) modify any rights or duties of any Fiduciary without its consent.

(3) It shall not be necessary for the consent of the Owners to approve the particular form of any Supplemental Ordinance, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the adoption by the City of any Supplemental Ordinance pursuant to the Ordinance, the Registrar shall mail a notice provided by the Ordinance, setting forth in general terms the substance of such Supplemental Ordinance to the Owners of the Bonds at the addresses shown on the registration books of the Registrar. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Ordinance.

(4) If within one year from the date of the mailing by the Registrar of written notice to the Owners of the Bonds, the City shall receive an instrument or instruments executed by the Owners of at least a majority in aggregate amount of the Bond Obligation consenting to and approving such amendment in substantially the form of the copy thereof on file with each Registrar, as the case may be, for the Bonds, the governing body of the City may pass the Supplemental Ordinance in substantially the same form.

(5) Any consent given by the Owner of a Bond pursuant to the provisions of the Ordinance shall be irrevocable for a period of six months from the date for measuring the one year period to obtain consents noted in subsection (4) above, and shall be conclusive and binding upon all future owners of the same Bond during such period. At any time after six months from the date for measuring the one year period to obtain consents noted in subsection (4) above, such consent may be revoked by the Owner who gave such consent, or by a successor in title, by filing written notice thereof with the Registrar, as the case may be, for such Bond and the City, but such revocation shall not be effective if the Owners of at least a majority in aggregate amount of the then Outstanding Bond Obligation as determined in accordance with these provisions have, prior to the attempted revocation, consented to and approved the amendment.

(b) The Ordinance and the rights and obligations of the City, of each Fiduciary and of the Owners may also be modified or amended from time to time at any time by a Series Ordinance or a Supplemental Ordinance, which the City may adopt without the consent of any Owners but only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the City in the Ordinance thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved to or conferred upon the City in the Ordinance, in each case which shall not materially and adversely affect the interests of the Owners in the determination of the City;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Ordinance, or in regard to matters or questions arising under the Ordinance, as the City may deem necessary or desirable, and which shall not materially and adversely affect the interests of the Owners in the determination of the City;

(3) to modify, amend or supplement the Ordinance in such manner as to permit the qualification of the Ordinance under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially and adversely affect the interests of the Owners;

(4) to provide for the issuance of a Series of Bonds in a Series Ordinance with such interest rate, payment, maturity and other terms as the City may deem desirable subject to the provisions of the Ordinance;

(5) if the City has covenanted in a Series Ordinance to maintain the exclusion of interest on a Series of Bonds from gross income for purposes of federal income taxation, to make such provisions as are necessary or appropriate to ensure such exclusion;

(6) to modify any of the provisions of the Ordinance in any other respect whatsoever, provided that (A) such modification shall be, and be expressed to be, effective only after all Bonds of each Series Outstanding at the date of the adoption of such Series or Supplemental Ordinance shall cease to be Outstanding, and (B) such Series or Supplemental Ordinance shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the adoption of such Series Ordinance and of Bonds issued in exchange therefor or in place thereof;

(7) to authorize Subordinated Indebtedness and, in connection therewith, specify and determine any matters and things relative to such Subordinated Indebtedness which are not

contrary to or inconsistent with the Ordinance as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Subordinated Indebtedness;

(8) to authorize the establishment of such funds or accounts as the City may determine to be necessary, desirable, advisable or in the best interests of the City, and, in connection therewith, to specify and determine the matters and things referred to in the Ordinance or to modify any such matters and things in any other respect whatsoever; or

(9) for any other purpose which, in the determination of the City, does not materially and adversely affect the interests of the Owners of any of the Bonds.

In making any determination that any modification or amendment does not materially and adversely affect the interest of the Owners, the City may rely on an opinion of counsel that may be counsel to the City or bond counsel.

Defeasance

Except as may be provided in any Series Ordinance creating a Series of Bonds, Bonds of any Series may be paid by the City in any of the following ways:

(a) by paying or causing to be paid the Bond Obligation of and interest on all Bonds Outstanding of the Series, as and when the same become due and payable;

(b) by depositing with the Paying Agent, an escrow agent or other fiduciary, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Ordinance) to pay or redeem all Bonds Outstanding of the Series; or

(c) by delivering to the Paying Agent, for cancellation by it, all Bonds then Outstanding of the Series.

Upon the deposit with the Paying Agent, an escrow agent or other fiduciary, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Ordinance) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, irrevocable notice of such redemption shall have been given as provided in the Ordinance or provision satisfactory to the Registrar and Paying Agent shall have been made for the giving of such notice, then all liability of the City in respect of such Bond shall cease, terminate and be completely discharged; provided that the Owner thereof shall thereafter be entitled to the payment of the principal or Redemption Price of and interest on such Bond, and the City shall remain liable for such payment, but only out of such money or securities deposited as aforesaid for their payment, subject, however, to the provisions of the Ordinance and the continuing duties of the Paying Agent and Registrar under the Ordinance.

Whenever in the Ordinance it is provided or permitted that there be deposited with or held in trust by the Paying Agent, an escrow agent or other fiduciary, money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Paying Agent in the funds and accounts established pursuant to the Ordinance and shall be one or more of the following:

(1) lawful money of the United States in an amount equal to the Bond Obligation of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which

are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in the Ordinance or provision satisfactory to each Fiduciary shall have been made for the giving of such notice, the amount to be deposited or held shall be the Bond Obligation or Redemption Price of such Bonds and all unpaid interest thereon to the redemption date; or

(2) Federal Securities or Municipal Obligations which are non-callable by the issuer, the principal of and interest on which when due will, in the opinion of an independent certified public accountant delivered to the Paying Agent for which payment is being made (upon which opinion the Paying Agent may conclusively rely), provide money sufficient to pay the Bond Obligation or Redemption Price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such Bond Obligation or Redemption Price and interest become due; provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Ordinance or provision satisfactory to the Registrar shall have been made for the giving of such notice;

provided, in each case, that the Paying Agent shall have been irrevocably instructed (by the terms of the Ordinance or by Request of the City) to apply such money to the payment of such Bond Obligation or Redemption Price and interest with respect to such Bonds.

Events of Default; Remedies

Events of Default. Each of the following events shall be an "Event of Default:"

(a) Default by the City in the due and punctual payment of the principal, Accreted Value or Appreciated Value of, or premium, if any, on any Bond (whether at maturity, by acceleration, call for redemption or otherwise);

(b) Default by the City in the due and punctual payment of the interest on any Bond and such default shall continue for a period of 30 days after the due date for the payment of such interest;

(c) Failure of the City to observe and perform any of its other covenants, conditions or agreements under the Ordinance or in the Bonds for a period of 90 days after written notice from the Owners of 25% in aggregate amount of the Bond Obligation of the Bonds then outstanding, specifying such failure and requesting that it be remedied, or in the case of any such default that cannot with due diligence be cured within such 90 day period, failure of the City to proceed promptly to cure the same and thereafter prosecute the curing of such default with due diligence;

(d) (1) Failure of the City generally to pay its debts as the same become due, (2) commencement by the City of a voluntary case under the Federal bankruptcy laws, as now or hereafter constituted, or any other applicable Federal or state bankruptcy, insolvency or other similar law, (3) consent by the City to the appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official for the City, the Enterprise or any substantial part of the City's property, or to the taking possession by any such official of the Enterprise or any substantial part of the City's property, (4) making by the City of any assignment for the benefit of creditors, or (5) taking of corporate action by the City in furtherance of any of the foregoing;

(e) The entry of any (1) decree or order for relief by a court having jurisdiction over the City or its property in an involuntary case under the Federal bankruptcy laws, as now or hereafter constituted, or any other applicable Federal or state bankruptcy, insolvency or other similar law, (2) appointment of a

receiver, liquidator, assignee, trustee, custodian, sequestrator or similar official for the City, the Enterprise or any substantial part of the City's property, or (3) order for the termination or liquidation of the City, the Enterprise or the affairs of any of them; or

(f) Failure of the City within 90 days after the commencement of any proceedings against it under the Federal bankruptcy laws prior any other applicable Federal or state bankruptcy, insolvency or similar law, to have such proceedings dismissed or stayed.

The provisions of subsection (c) hereof are subject to the limitation that if by reason of force majeure the City is unable in whole or in part to observe and perform any of its covenants, conditions or agreements under the Ordinance, the City shall not be deemed in default during the continuance of such disability. The term "force majeure" as used herein shall include, without limitation, acts of God, strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or of the State or any of their departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the City. The City shall, however, remedy with all reasonable dispatch the cause or causes preventing it from carrying out its agreements, provided that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the City, and the City shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties.

Enforcement of Remedies. Upon the happening and continuance of any Event of Default, then and in every such case the Owners of not less than 25% of the Bond Obligation may appoint any state bank, national bank, trust company or national banking association qualified to transact business in the State to serve as trustee for the benefit of the Owners of all Bonds then outstanding (the **"Receiver"**). Notice of such appointment, together with evidence of the requisite signatures of the Owners of 25% of the Bond Obligation and the trust instrument under which the Receiver shall have agreed to serve shall be filed with the City with a copy to the Receiver and notice of such appointment shall be mailed to the Owners of the Bonds. After the appointment of a Receiver under the Ordinance, no further Receivers may be appointed; however, the Owners of a majority of the Bond Obligation may remove the Receiver initially appointed and appoint a successor and subsequent successors at any time. If the default for which the Receiver was appointed is cured or waived pursuant to the Ordinance, the appointment of the Receiver shall terminate with respect to such default.

After a Receiver has been appointed pursuant to the foregoing, the Receiver may proceed, and upon the written request of Owners of 25% of the Bond Obligation shall proceed, to protect and enforce the rights of the Owners under the laws of the State, including the Act, and under the Ordinance, by such suits, actions or special proceedings in equity or at law, or by regulatory or administrative proceedings in the office of any board, body or officer having jurisdiction, either for the specific performance of any covenant or agreement contained in the Ordinance or in aid of execution of any power granted in the Ordinance or for the enforcement of any proper legal or equitable remedy, all as the Receiver, being advised by counsel, shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy against the City, under the Ordinance the Receiver shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due from the City, for principal, interest or other sums due under any provisions of the Ordinance or of such Bonds and unpaid, with interest on overdue payments of principal and, if permitted by law, at the rate or rates of interest specified in such Bonds, together with any and all reasonable costs and expenses of collection and of all proceedings under the Ordinance and

under such Bonds without prejudice to any other right or remedy of the Receiver or of the Owners, and to recover and enforce any judgment or decree against the City, but solely as provided in the Ordinance and in such Bonds, for any portion of such amounts remaining unpaid and interest, costs and expenses as above provided, and to collect (but solely from money in the Revenue Fund and any other money available for such purpose) in any manner provided by law, the money adjudged or decreed to be payable.

Effect of Discontinuing Proceedings. In case any proceeding taken by the Receiver or any Owner on account of any default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Receiver or such Owner, then and in every such case the City and the Owners shall be restored to their former positions and rights under the Ordinance, respectively, and all rights, remedies and powers of the Receiver shall continue as though no such proceeding had been taken.

Directions to Receiver as to Remedial Proceedings. Anything in the Ordinance to the contrary notwithstanding, the Owners of a majority of the Bond Obligation shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Receiver, to direct the method and place of conducting all remedial proceedings to be taken by the Receiver under the Ordinance, provided that such direction shall not be otherwise than in accordance with law or the provisions of the Ordinance, and that the Receiver shall have the right to decline to follow any such direction which in the opinion of the Receiver would be unjustly prejudicial to Owners not parties to such direction.

Pro Rata Application of Funds. (a) Anything in the Ordinance to the contrary notwithstanding, if at any time the money in the Revenue Fund shall not be sufficient to pay the principal, Accreted Value, Appreciated Value or Redemption Price of or the interest on the Bonds as the same become due and payable, such money, together with any money then available or thereafter becoming available for such purpose, whether through the exercise of the remedies provided for in the Ordinance or otherwise, shall be applied as follows:

(1) Unless the principal of all the Bonds shall have become due and payable, all such money shall be applied (A) to the payment of all installments of interest then due on the Bonds then due, in the order of the maturity of the installments of such interest, to the persons entitled thereto, ratable, without any discrimination or preference, and (B) to the payment of all installments of principal of Bonds then due.

(2) If the principal of all the Bonds shall have become due and payable, all such money shall be applied to the payment of the principal, Accreted Value, Appreciated Value or Redemption Price or interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bonds over any other Bonds, ratable, according to the amounts due, respectively, for principal or interest to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

(b) Whenever money are to be applied by the Receiver pursuant to the provisions stated above such money shall be applied by the Receiver at such times, and from time to time, as the Receiver in its sole discretion shall determine, having due regard to the amount of such money available for application and the likelihood of additional money becoming available for such application in the future; the setting aside of such money, in trust for the proper purpose, shall constitute proper application by the Receiver; and the Receiver shall incur no liability whatsoever to the City, to any Owner or to any other person for any delay in applying any such money, so long as the Receiver acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of the Ordinance as may be applicable at the time of application by the Receiver. Whenever

the receiver shall exercise such discretion in applying such money, it shall fix the date (which shall be an interest Payment Date unless the Receiver shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue, the Accreted Value of Capital Appreciation Bonds shall cease to accrete and the Appreciated Value of any Deferred Income Bond. The Receiver shall give such notice as it may deem appropriate of the fixing of any such date, and shall not be required to make payment to the Owner of any Bond unless such Bond shall be presented to the Receiver for appropriate endorsement or for cancellation if fully paid.

Restrictions on Actions by Individual Owners. No Owner shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Ordinance or for any other remedy thereunder unless such Owner previously shall have given to the Receiver written notice of the event of default on account of which such suit, action or proceeding is to be taken, and unless the Owner of not less than 25% of the Bond Obligation shall have made written request of the Receiver after the right to exercise such powers or right of action, as the case may be, shall have accrued and shall have afforded the Receiver a reasonable opportunity either to proceed to exercise the powers granted by the Ordinance or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Receiver reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, including the reasonable fees of its attorneys (including fees on appeal), and the Receiver shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case, at the option of the Receiver, to be conditions precedent to the execution of the powers and trusts of the Ordinance or for any other remedy under the Ordinance. It is understood and intended that no one or more Owners of the Bonds secured by the Ordinance shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Ordinance, or to enforce any right under the Ordinance, except in the manner provided in the Ordinance, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Ordinance and for the benefit of all Owners, and that any individual rights of action or any other right given to one or more of such Owners by law are restricted by the Ordinance to the rights and remedies provided in the Ordinance.

Nothing contained herein, however, shall affect or impair the right of any Owner individually, to enforce the payment of the principal of and interest on his Bond or Bonds at and after the maturity thereof, at the time, place, from the source and in the manner provided in the Ordinance.

* * * *

APPENDIX E

FORM OF CONTINUING DISCLOSURE UNDERTAKING

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OMNIBUS CONTINUING DISCLOSURE UNDERTAKING

This **OMNIBUS CONTINUING DISCLOSURE UNDERTAKING** dated as of **March 14, 2013** (this *"Undertaking"*), is executed and delivered by the **City** of **Lincoln, Nebraska** (the *"Issuer"*).

RECITALS

1. This Undertaking is executed and delivered in connection with the issuance by the Issuer of $8,340,000 Solid Waste Management Revenue Refunding Bonds, Series 2013, pursuant to an Ordinance adopted by the governing body of the Issuer (the "*Ordinance*").

2. The Issuer is executing this Undertaking for the benefit of the Beneficial Owners of the Bonds and in order to assist each Participating Underwriter in complying with the Rule (as defined in **Section 1** hereof). The Issuer is the only "obligated person" (as defined by the Rule) with responsibility for continuing disclosure hereunder.

3. This Undertaking shall apply with respect to any series of Bonds issued prior to the effective date hereof and subject to the Rule.

In consideration of the foregoing, the Issuer covenants and agrees as follows:

Section 1. Definitions.

In addition to the definitions set forth in the Ordinance, which apply to any capitalized term used in this Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" means any Annual Report filed by the Issuer pursuant to, and as described in, **Section 2** of this Undertaking.

"Beneficial Owner" means, with respect to a series of Bonds, any registered owner of any Bonds of such series and any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds of such series (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds of such series for federal income tax purposes.

"Bonds" means all bonds of all series identified on **Schedule 1** as such schedule may be supplemented and amended and, as context may require, the Bonds of any particular series identified on **Schedule 1**. The Issuer may make future series of Bonds subject to this Undertaking by executing a certificate to such effect or by action of the governing body of the Issuer.

"Business Day" means a day other than (a) a Saturday, Sunday or legal holiday, (b) a day on which banks located in any city in which the principal corporate trust office or designated payment office of the trustee, any paying agent or a Dissemination Agent for the Bonds, as applicable, is located are

required or authorized by law to remain closed, or (c) a day on which the Securities Depository or the New York Stock Exchange is closed.

"EMMA" means the Electronic Municipal Market Access system for municipal securities disclosures established and maintained by the MSRB, which can be accessed at www.emma.msrb.org.

"Enterprise" means all properties and assets, and interests in properties and assets, real and personal and tangible and intangible, of the Issuer now or hereafter existing used for or pertaining to collecting, separating, storing, transporting, transferring, processing, treating, disposing or recycling solid waste and shall be broadly construed to encompass and include all Projects, now existing and hereafter acquired by lease, contract, purchase or otherwise or constructed by the Issuer, including any interest or participation of the Issuer in any such facilities or any rights to the output or capacity thereof, together with all additions, betterments, extensions and improvements to such facilities, properties or assets or any part thereof hereafter made and together with all lands, easements and rights of way of the Issuer and all other works, property or structures of the Issuer and contract rights and other tangible and intangible assets of the Issuer used or useful in connection with any of the foregoing.

"Fiscal Year" means the **12**-month period beginning on **September 1** and ending on **August 31** or any other **12**-month period selected by the Issuer as its fiscal year for financial reporting purposes.

"Material Events" means any of the events listed in **Section 3** of this Undertaking.

"MSRB" means the Municipal Securities Rulemaking Board, or any successor repository designated as such by the Securities and Exchange Commission in accordance with the Rule.

"Participating Underwriter" means each of the original underwriters of a series of Bonds required to comply with the Rule in connection with the offering of Bonds of that series.

"Prior Undertakings" means the existing continuing disclosure undertakings of the Issuer with respect to the Bonds pursuant to the Rule.

"Rule" means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

Section 2. Provision of Annual Reports.

(a) The Issuer shall not later than **240** days after the end of the Issuer's Fiscal Year, commencing with the year ended August 31, 2012, file with the MSRB, through EMMA, the following financial information and operating data (the *"Annual Report"*):

(1) The audited financial statements of the Issuer for the prior Fiscal Year prepared in accordance with accounting principles generally accepted in the United States. If audited financial statements are not available by the time the Annual Report is required to be filed pursuant to this Section, 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 most recent series of Bonds, and the audited financial statements shall be filed in the same manner as the Annual Report promptly after they become available.

(2) Updates as of the end of the Fiscal Year of certain financial information and operating data, as described in **Exhibit A,** with such modifications to the formatting and general presentation thereof as deemed appropriate by the Issuer; provided, any substantive change to information provided shall be effected only in accordance with **Section 6** hereof, which information may be contained in the audited financial statements of the Issuer or any schedules supplemental thereto.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Issuer is an "obligated person" (as defined by the Rule), which have been filed with the MSRB. If the document included by reference is a final official statement, it must be available from the MSRB on EMMA. The Issuer shall clearly identify each such other document so included by reference.

In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this Section; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer's Fiscal Year changes, it shall give notice of such change in the same manner as for a Material Event under **Section 3**.

Section 3. Reporting of Material Events.

No later than **10** Business Days after the occurrence of any of the following events, the Issuer 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 Issuer; (which shall be deemed to occur as provided in the Rule);
(13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake

such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(14) appointment of a successor or additional trustee or the change of name of the trustee, if material.

If the Issuer has not submitted the Annual Report to the MSRB by the date required in **Section 2(a)**, the Issuer shall send a notice to the MSRB of the failure of the Issuer to file on a timely basis the Annual Report, which notice shall be given by the Issuer in accordance with this **Section 3**.

Section 4. Termination of Reporting Obligation.

The Issuer's obligations under this Undertaking for a particular series of Bonds shall terminate upon the legal defeasance, prior redemption or payment in full of that series of Bonds. If the Issuer's obligations under this Undertaking are assumed in full by some other entity, such entity shall be responsible for compliance with this Undertaking in the same manner as if it were the Issuer, and the Issuer shall have no further responsibility hereunder. If such assumption occurs prior to the final maturity of such Bonds, the Issuer shall give notice of such assumption in the same manner as for a Material Event under **Section 3**.

Section 5. Dissemination Agent.

The Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under this Undertaking (the *"Dissemination Agent"*), and may discharge any such agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign as Dissemination Agent hereunder at any time upon **30** days prior written notice to the Issuer. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report (including without limitation the Annual Report) prepared by the Issuer pursuant to this Undertaking.

Section 6. Bonds Subject to this Undertaking; Amendment; Waiver.

(a) All outstanding Bonds as of the date of this Undertaking shown on **Schedule 1** are hereby made subject to this Undertaking. The Issuer may make any future series of Bonds subject to this Undertaking by executing a certificate to such effect or by action of the governing body of the Issuer.

(b) All references to the "Bonds" in this Undertaking shall apply separately to each series of Bonds that are or become subject to this Undertaking, without further amendment hereto.

(c) Notwithstanding the provisions of **subsection (d)** of this Section or anything else contained in this Undertaking to the contrary, in conjunction with the public offering of any series of Bonds, the Issuer and the Dissemination Agent, if any, may amend the categories of operating data to be updated on an annual basis as set forth on **Exhibit A** to conform to the operating data included in the final official statement for such series of Bonds, in conformance with the requirements and interpretations of the Rule as of the date of such final official statement, without further amendment to this Undertaking. Thereafter, the annual operating data to be filed by the Issuer with the MSRB with respect to the Bonds (and all other series of Bonds then subject to this Undertaking) shall be deemed to be amended to reflect the requirements of the revised **Exhibit A** for the new series of Bonds.

(d) Except as otherwise provided in **subsection (c)** of this Section, the Issuer may amend this Undertaking and any provision of this Undertaking may be waived, provided that Bond Counsel or other

counsel experienced in federal securities law matters provides the Issuer with its written opinion that the undertaking of the Issuer contained herein, 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 this Undertaking; provided, however, that this Undertaking, including **Schedule 1** hereto, may be amended for the purpose of (i) extending the coverage of this Undertaking to any additional series of Bonds, (ii) removing reference to any series of Bonds for which the Issuer's reporting obligations have terminated in accordance with **Section 4** hereof, each without the provision of a written opinion as otherwise required by this paragraph or (iii) conforming to future changes to the Rule or interpretations thereof.

(e) If a provision of this Undertaking is amended or waived with respect to a series of Bonds pursuant to **subsection (d)** of this Section, the Issuer shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (1) notice of such change shall be given in the same manner as for a Material Event under **Section 3**, and (2) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 7. Additional Information.

Nothing in this Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Undertaking. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is specifically required by this Undertaking, the Issuer shall have no obligation under this Undertaking to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 8. Default.

If the Issuer fails to comply with any provision of this Undertaking, with respect to a series of Bonds, any Participating Underwriter or any Beneficial Owner of the Bonds of such series may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Undertaking. A default under this Undertaking shall not be deemed an event of default under the Ordinance or the Bonds, and the sole remedy under this Undertaking if there is any failure of the Issuer to comply with this Undertaking shall be an action to compel performance.

Section 9. Beneficiaries.

This Undertaking shall inure solely to the benefit of the Issuer, each Participating Underwriter, and Beneficial Owners from time to time with respect to a series of Bonds, and shall create no rights in any other person or entity.

Section 10. Severability.

If any provision in this Undertaking, the Ordinance or the Bonds shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions of this Undertaking shall not in any way be affected or impaired thereby.

Section 11. Electronic Transactions.

The arrangement described herein may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

***Section 12.* Governing Law.**

This Undertaking shall be governed by and construed in accordance with the laws of the State of Nebraska.

IN WITNESS WHEREOF, the Issuer has caused this Undertaking to be executed as of the day and year first above written.

THE CITY OF LINCOLN, NEBRASKA

By: _____
Title: _____

SCHEDULE 1

THE BONDS

SERIES 2013 BONDS

Issuer:	**The City of Lincoln, Nebraska**
Issue Name:	**Solid Waste Management Revenue and Refunding Bonds, Series 2013**
Date of Issuance:	**March 14, 2013**

EXHIBIT A

FINANCIAL INFORMATION AND OPERATING DATA TO BE INCLUDED IN ANNUAL REPORT

The financial information and operating data contained under the heading "REVENUE BOND COVERAGE LAST TEN FISCAL YEARS – Solid Waste Management" in Appendix A of the Official Statement relating to the Issuer's Solid Waste Management Revenue and Refunding Bonds, Series 2013

APPENDIX F

BOOK-ENTRY SYSTEM

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BOOK-ENTRY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2013 Bonds. The Series 2013 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 Series 2013 Bond certificate will be issued for each maturity of the Series 2013 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Series 2013 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2013 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2013 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2013 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2013 Bonds, except in the event that use of the book-entry system for the Series 2013 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2013 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2013 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2013 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2013 Bonds are

credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2013 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2013 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2013 Bond documents. For example, Beneficial Owners of Series 2013 Bonds may wish to ascertain that the nominee holding the Series 2013 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 shall be sent to DTC. If less than all of the Series 2013 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2013 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2013 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest payments on the Series 2013 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the City subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent or the City disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2013 Bonds at any time by giving reasonable notice to the Paying Agent or the City. Under such circumstances, in the event that a successor depository is not obtained, Series 2013 Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2013 Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC. The City and the Underwriter take no responsibility for the accuracy thereof.

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from sources that the City and the Underwriter believe to be reliable, but the City and the Underwriter take no responsibility for the accuracy thereof, and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the City nor the Underwriter will have any responsibility or obligation to any Direct Participants or Indirect Participants or the persons for whom they act with respect to (a) the accuracy of any records maintained by DTC or any such Direct Participant or Indirect Participant; (b) the payment by any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal or redemption price of or interest on the Bonds; (c) the delivery by any such Direct Participant or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Bond Resolution to be given to registered owners of the Bonds; (d) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds; or (e) any consent given or other action taken by DTC as the registered owner of the Bonds.

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EXHIBIT G

FORM OF BOND COUNSEL OPINION

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March 14, 2013

Mayor and City Council
Lincoln, Nebraska

Ameritas Investment Corp.
Lincoln, Nebraska

Re: $8,340,000 The City of Lincoln, Nebraska Solid Waste Management Revenue and Refunding Bonds, Series 2013

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by The City of Lincoln, Nebraska (the "City"), of the above-captioned bonds (the "Bonds"), pursuant to Ordinance No. 18774 adopted by the City on July 31, 2006, as amended and supplemented by Ordinance No. 18775 adopted by the City on July 31, 2006 and as further amended and supplemented by Ordinance No. 19825, passed by the Council on February 11, 2013 and approved by the Mayor on February 14, 2013 (collectively, the "Ordinance"). Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Ordinance.

We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion. 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 upon and subject to the foregoing, we are of the opinion, under existing law, as follows:

1. The Bonds have been duly authorized, executed and delivered by the City and are valid and legally binding special obligations of the City, payable solely from the net income and revenues derived by the City from the operation of the City's solid waste management facilities, after providing for the costs of operation and maintenance thereof and on parity with any Additional Bonds or Refunding Bonds hereafter issued as provided in the Ordinance. The Bonds do not constitute general obligations of the City nor do they constitute an indebtedness of the City within the meaning of any constitutional or statutory provision, limitation or restriction, and the taxing power of the City is not pledged to the payment of the Bonds.

2. The Ordinance has been duly adopted by the City and constitutes a valid and legally binding obligation of the City enforceable against the City.

3. The interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal and Nebraska income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. It should be noted however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth in this paragraph are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal and Nebraska income tax purposes. The City has covenanted to comply with each such requirement. 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. 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 other federal tax consequences arising with respect to the Bonds.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds and we express no opinion relating thereto.

The rights of the registered owners of the Bonds and the enforceability of the Bonds and the Ordinance may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent applicable and their enforcement may be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,