

NEW ISSUE  
BOOK-ENTRY ONLY  
NOT BANK QUALIFIED

RATING: Moody's "Aaa"  
See "RATING"

*In the opinion of Special Tax Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended, the Interest Portion of Basic Rent Payments paid by the City and distributed to the registered owners of the Series 2010B Certificates (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal and Nebraska income tax purposes, except as described herein, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The Series 2010B Certificates have not been designated "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. See "TAX MATTERS."*

**OFFICIAL STATEMENT**  
**\$7,780,000**  
**CERTIFICATES OF PARTICIPATION**  
**SERIES 2010B**  
**Evidencing Proportionate Interests of the Owners**  
**Thereof in Basic Rent Payments to be Made by**  
**THE CITY OF LINCOLN, NEBRASKA**  
**as Lessee pursuant to a Lease Purchase Agreement with Union Bank & Trust Company, as Lessor**

**Dated: date of delivery**

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

The Series 2010B Certificates will be executed and delivered in fully registered form in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Series 2010B Certificates. Purchases of the Series 2010B Certificates will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof as described above. Purchasers will not receive certificates representing their interests in Series 2010B Certificate purchases. So long as Cede & Co. is the registered owner of the Series 2010B Certificates, as nominee of DTC, references herein to the Registered Owners shall mean Cede & Co. and shall not mean the Beneficial Owners (herein defined) of the Series 2010B Certificates. Interest Portions of Basic Rent represented by the Series 2010B Certificates are payable semiannually on May 1 and November 1 of each year, to and including the date of maturity or prepayment, whichever is earlier, commencing on May 1, 2011.

The Series 2010B Certificates evidence the ownership of proportionate interests in, and rights to receive payments under, a Lease Purchase Agreement dated November 18, 2010 (the "**Lease**"), between Union Bank & Trust Company, a state banking corporation (the "**Trustee**"), as lessor, and The City of Lincoln, Nebraska (the "**City**"), as lessee. The Series 2010B Certificates are executed and delivered pursuant to a Declaration of Trust dated November 18, 2010, made by the Trustee. Neither the Series 2010B Certificates nor the Basic Rent Payments are obligations of the Trustee, and the Trustee does not have any obligations under or with respect to the Series 2010B Certificates or the Basic Rent Payments.

The Series 2010B Certificates are subject to optional prepayment prior to maturity as described herein. See "**THE SERIES 2010B CERTIFICATES OF PARTICIPATION - Prepayment.**"

The Series 2010B Certificates constitute interests in Basic Rent Payments to be made by the City. The Basic Rent Payments are payable from the City's General Fund, which includes the City's sales tax revenue and ad valorem taxes levied by the City against all taxable property in the City. See "**NEBRASKA LAWS RELATED TO BUDGETS AND TAXATION.**"

<u>Maturity</u> <u>(November 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP No.</u> <u>(534266)</u>
2012	\$ 495,000	2.000%	1.000%	101.928%	DR9
2013	500,000	2.000	1.200	102.313	DS7
2014	505,000	2.000	1.450	102.105	DT5
2015	510,000	2.000	1.700	101.418	DU2
2016	520,000	2.000	2.000	100.000	DV0
2017	525,000	2.250	2.300	99.679	DW8
2018	540,000	2.500	2.550	99.641	DX6
2019	550,000	2.750	2.800	99.605	DY4
2020	565,000	3.000	2.950	100.427	DZ1
2021	580,000	3.125	3.150	99.768	EA5
2022	595,000	3.200	3.250	99.506	EB3
2023	615,000	3.375	3.400	99.738	EC1
2025*	1,280,000	3.500	3.550	99.422	ED9

\*Term Certificates

*The Series 2010B Certificates are offered when, as and if executed and delivered by the Trustee, subject to the approval of their validity by Gilmore & Bell, P.C., Special Tax Counsel, as described herein. Certain legal matters will be passed upon for the City by Rodney C. Confer, City Attorney. It is expected that the Series 2010B Certificates in definitive form will be available for delivery at The Depository Trust Company in New York, New York, on or about November 18, 2010.*

**UBS Financial Services**

**AMERITAS INVESTMENT CORP.**  
has acted as Financial Advisor

The date of this Official Statement is November 3, 2010.

**THE CITY OF LINCOLN, NEBRASKA**

555 South 10th Street  
Lincoln, Nebraska 68508  
(402) 441-7412

**MAYOR**

Christopher Beutler

**CITY COUNCIL**

John Spatz (Chair)

Jon Camp  
Jonathan Cook  
Adam Hornung

Eugene Carroll  
Doug Emery  
Jayne Snyder

**DEPARTMENT HEADS**

Don Herz ..... Finance Director  
Rodney Confer ..... City Attorney  
Marvin Krout ..... Planning Director  
Lynn Johnson ..... Parks and Recreation Director  
Kevin Wailes ..... LES Administrator and CEO  
David Landis ..... Urban Development Director  
Pat Leach ..... Library Director  
Greg MacLean ..... Public Works and Utilities Director  
Bruce Dart ..... Health Director  
Mark Koller ..... Personnel Director  
Thomas Casady ..... Police Chief  
Niles Ford ..... Fire Chief  
Chuck Zimmerman ..... Interim Director, Building and Safety

Peggy Tharnish, City Controller

**SPECIAL TAX COUNSEL**

Gilmore & Bell, P.C.  
Lincoln, Nebraska

**LESSOR AND TRUSTEE**

Union Bank & Trust Company  
Lincoln, Nebraska

**UNDERWRITER**

UBS Financial Services

**FINANCIAL ADVISOR**

Ameritas Investment Corp.  
Lincoln, Nebraska

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

No dealer, broker, sales representative or other person has been authorized by the City or the Underwriter to give any information or to make any representations with respect to the Series 2010B Certificates other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2010B Certificates by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been furnished by the City and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, by the Underwriter. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

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IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2010B CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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THE SERIES 2010B CERTIFICATES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY STATE SECURITIES OR "BLUE SKY" LAWS. THE SERIES 2010B CERTIFICATES ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION.

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## OFFICIAL STATEMENT

**\$7,780,000**

### **CERTIFICATES OF PARTICIPATION**

#### **SERIES 2010B**

**Evidencing Proportionate Interests of the Owners**

**Thereof in Basic Rent Payments to be Made by**

**THE CITY OF LINCOLN, NEBRASKA**

**as Lessee pursuant to a Lease Purchase Agreement with**

**Union Bank & Trust Company, as Lessor**

## INTRODUCTION

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

### **Purpose of the Official Statement**

This Official Statement, including the cover page and the appendices hereto (the **“Official Statement”**), is provided to furnish information with respect to the sale and delivery of certificates of participation in the aggregate principal amount of \$7,780,000 (the **“Series 2010B Certificates”**), representing the proportionate interests of the owners thereof (the **“Certificate Owners”**) in basic rent payments (the **“Basic Rent Payments”**) to be made by The City of Lincoln, Nebraska (the **“City”**), as the rental payments and purchase price of the interest of Union Bank & Trust Company, a state banking corporation, as lessor (the **“Trustee”**), in the hereinafter defined Improvements, pursuant to a Lease Purchase Agreement, dated November 18, 2010 (the **“Lease”**), entered into between the Trustee and the City, as lessee. In connection with the execution and delivery of the Lease, the City, as lessors, and the Trustee will enter into a Site Lease dated the date of delivery (the **“Site Lease”**) pursuant to which the Trustee will acquire an interest in the real property on which the Project (hereinafter defined) will be located. See **“THE PROJECT.”**

### **The City**

The City is a city of the primary class and political subdivision organized and existing under the laws of the State of Nebraska. The City is located in the geographic center of Lancaster County, Nebraska, and is the state capital, as well as the county seat. See **“APPENDIX A: THE CITY”** and **“APPENDIX B: FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED AUGUST 31, 2009, TOGETHER WITH AUDITOR’S REPORT THEREON.”**

### **Plan of Financing**

The proceeds received from the sale of the Series 2010B Certificates will be used to (a) acquire the real property located at 901 West Bond Street and 949 West Bond Street in the City and the buildings and facilities located thereon, (b) remodel, renovate, equip and furnish such buildings and facilities (collectively, the **“Project”**), and (c) pay certain costs related to the execution and delivery of the Series 2010B Certificates.

Pursuant to the terms and conditions of the Lease and the Declaration of Trust dated the date of delivery (the “**Declaration of Trust**”), made by the Trustee., the Trustee and the City have agreed that the Trustee will pay, from proceeds of the sale of the Series 2010B Certificates, the cost of the Project.

The Series 2010B Certificates are payable solely from the Basic Rent Payments to be paid by the City under the Lease and, to the extent received by the Trustee, net proceeds of certain insurance policies, condemnation awards or proceeds from the liquidation of interests in the Project.

### **The Financing Documents**

The Trustee will lease the Improvements, with the option to purchase, to the City pursuant to the Lease. The Lease will provide, among other things, for a term that commences on the date of delivery (November 18, 2010) of the Series 2010B Certificates, and ends on November 1, 2025, the date of the final maturity of the Series 2010B Certificates. The City is authorized to enter into the Lease pursuant to Ordinance No. 19461 passed by the Council on October 25, 2010 and approved by the Mayor on October 28, 2010 (the “**Ordinance**”).

The Series 2010B Certificates are being executed and delivered pursuant to a Declaration of Trust. Neither the Series 2010B Certificates nor the Basic Rent Payments are obligations of the Trustee, and the Trustee has no liability or obligation under or with respect to the Series 2010B Certificates or the Basic Rent Payments.

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

### **Financial Statements**

The audited financial statements of the City for Fiscal Year ended August 31, 2009, are included in *Appendix B* hereto. The financial statements in *Appendix B* have been audited by BKD, LLP, Lincoln, Nebraska, independent auditors, whose report thereon is also included in *Appendix B* hereto.

### **Continuing Disclosure**

The City agrees in a Continuing Disclosure Certificate, dated the date of delivery (the “**Disclosure Certificate**”), to provide certain annual financial information and operating data relating to the City by not later than May 1 of each year (the “**Annual Report**”), commencing May 1, 2011, and to provide notices of the occurrence of certain enumerated events, if deemed by the City to be material. See “**CONTINUING DISCLOSURE.**”

### **Definitions and Descriptions; Inspection of Documents**

Certain capitalized terms used in this Official Statement and not otherwise defined herein shall have the meanings given to such terms in **APPENDIX C: “DEFINITIONS AND SUMMARIES OF CERTAIN PRINCIPAL DOCUMENTS.”** Summaries of the Site Lease, the Lease and the Declaration of Trust are also included in *Appendix C*. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Site Lease, the Lease and the Declaration of Trust are qualified in their entirety by reference to such documents, copies of which may be viewed at the principal corporate office of the City’s Financial Advisor, Ameritas Investment Corp., 5900 “O” Street, Lincoln, Nebraska, 68510, or will be provided by the Financial Advisor to any prospective purchaser requesting the same, upon payment by such prospective purchaser of the cost of complying with such request. All references to the Series 2010B Certificates are qualified in their entirety by the definitive terms thereof and the

information with respect thereto included in the Site Lease, the Lease and the Declaration of Trust. Information concerning the City has been supplied by the City, and has not been verified by the Trustee, and the Trustee makes no representation or warranty, express or implied, as to the accuracy or completeness of such information.

## **THE SERIES 2010B CERTIFICATES OF PARTICIPATION**

### **General Provisions**

The Series 2010B Certificates are dated the date of delivery thereof, and will mature on November 1, in the amounts and in the years stated on the cover page hereof unless prepaid prior thereto.

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

The Series 2010B Certificates will be delivered in the denomination of \$5,000 each or any integral multiple thereof in book-entry form. Purchases of the Series 2010B Certificates will be made in book-entry only form in the denomination of \$5,000 or any integral multiple thereof. Purchasers of the Series 2010B Certificates will not receive certificates representing their interests in the Series 2010B Certificates purchased. Each Series 2010B Certificate represents a proportionate interest in the Principal Portions and Interest Portions of the Basic Rent Payments to be paid by the City to the Trustee for the benefit of the Series 2010B Certificate Owners. Principal Portions of Basic Rent will be payable on November 1 of each year beginning November 1, 2012. Interest Portions of Basic Rent shall be payable semiannually on May 1 and November 1 of each year, beginning on May 1, 2011, to and including the date of maturity or prepayment, whichever is earlier. Under the Declaration of Trust, the Trustee is designated as the initial paying agent for the Series 2010B Certificates.

While the Series 2010B Certificates remain in book-entry form, payments to Beneficial Owners (defined herein) are governed by the rules of DTC as described in **“BOOK-ENTRY ONLY SYSTEM.”** In the event that DTC ceases to act as securities depository for the Series 2010B Certificates, payment may be made as described below. Under the Declaration of Trust, the Trustee is designated as the initial paying agent for the Series 2010B Certificates.

Interest Portions of Basic Rent represented by the Series 2010B Certificates shall be payable by check or draft of the Trustee mailed to the Series 2010B Certificate Owners at the address of each Series 2010B Certificate Owner shown on the registration books maintained by the Trustee as of the close of business on the fifteenth day of the month next preceding the month in which each Interest Payment Date occurs (the **“Record Date”**), or at the written request of any Owner of Series 2010B Certificates in the aggregate Principal Portion of at least \$500,000, by electronic transfer to the bank for credit to the ABA routing number and account number filed with the Trustee no later than 15 days prior to the record date.

The Principal Portion of the Basic Rent or Prepayment Price represented by the Series 2010B Certificates will be payable (whether at maturity or upon prepayment or acceleration) by check or draft to the Owners of such Series 2010B Certificates upon presentation and surrender of such Series 2010B Certificates at the designated corporate trust office of the Trustee.

### **Transfer and Exchange**

While the Series 2010B Certificates remain in book-entry form, transfers of ownership by Beneficial Owners may be made as described under **“BOOK-ENTRY ONLY SYSTEM.”** In the event that DTC

ceases to act as securities depository for the Series 2010B Certificates, transfers may be effected as described below.

Books for the registration and transfer of the Series 2010B Certificates are to be kept by the Trustee, as registrar (the “**Registrar**”). Upon surrender for transfer of any Series 2010B Certificate at the principal payment office of the Trustee and satisfaction of the conditions and restrictions of such transfer, the Trustee is to execute and deliver in the name of the transferee a new Series 2010B Certificate of the same maturity or maturities, interest rate and tenor as the Series 2010B Certificates surrendered. Series 2010B Certificates may be exchanged at the principal payment office of the Trustee for an equal aggregate principal amount of Series 2010B Certificates of the same maturity or maturities, interest rate and tenor as the Series 2010B Certificates surrendered. All Series 2010B Certificates presented for transfer or exchange must be accompanied by a written instrument of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the Trustee, duly executed by the Owner or by his attorney duly authorized in writing.

The Trustee is not required to transfer or exchange any Series 2010B Certificate after such Series 2010B Certificate has been called for prepayment.

The person in whose name any Series 2010B Certificate is registered is deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of either the Principal Portion or the Interest Portion of the Basic Rent Payments represented by any Series 2010B Certificate will be made only to or upon the written order of the registered owner thereof or his legal representative.

The Series 2010B Certificates are payable in lawful money of the United States of America which at the time of payment is legal tender for the payment of public and private debt. Series 2010B Certificates may be transferred at the principal payment office of the Trustee. Series 2010B Certificates may be exchanged for Series 2010B Certificates of the same maturity of other authorized denominations in accordance with the terms of the Declaration of Trust. For every such exchange or transfer of Series 2010B Certificates, the Trustee shall make a charge to the Series 2010B Certificate Owner sufficient to reimburse it for any tax, fee or other governmental charges required to be paid with respect to such exchange or transfer.

## **Prepayment**

***Mandatory Prepayment.*** The Series 2010B Certificates with a stated maturity date of November 1, 2025 (the “**Term Certificates**”), are subject to mandatory prepayment on November 1, 2024, and on November 1, 2025, at a Prepayment Price equal to 100% of the Principal Portion of Basic Rent represented thereby plus the Interest Portion of Basic Rent accrued thereon to the Prepayment Date, as follows:

Year (November 1)	Principal Amount
2024	\$630,000
2025*	650,000

\* Final maturity

***Optional Prepayment.*** The Series 2010B Certificates maturing on November 1, 2021, and thereafter are subject to optional prepayment, as a whole or in part, at any time on or after November 1, 2020, at the prepayment price of 100% of the Principal Portion of Basic Rent being prepaid, plus Interest Portions of Basic Rent accrued to the prepayment date.



**Notice of Prepayment.** Unless otherwise provided in the Declaration of Trust, notice of prepayment shall be given by the Trustee, not less than 30 days nor more than 60 days prior to the prepayment date, to the City and the Owner of each Series 2010B Certificate affected at the address shown on the registration books of the Registrar on the date such notice is mailed. Each notice of prepayment shall state the prepayment date, the place of prepayment, the prepayment price and, if less than all, the numbers of the Series 2010B Certificates to be prepaid. Such notice shall also state that the Interest Portion of the Basic Rent represented by the Series 2010B Certificates designated for prepayment shall cease to accrue from and after such prepayment date and that on said date the prepayment price will become due and payable on each of said Series 2010B Certificates.

So long as the book-entry only system is used for the Series 2010B Certificates, the Trustee will give any notice of prepayment or any other notices required to be given to owners only to DTC. Any failure of DTC to advise any DTC Participant or of any DTC Participant to notify the Beneficial Owner, of any such notice and its content or effect will not affect the validity of the prepayment of the Series 2010B Certificates so called for prepayment. Beneficial Owners may desire to make arrangements with a DTC Participant so that all notices of prepayment or other communications to DTC which affect such Beneficial Owners, including notification of all interest payments, will be forwarded in writing by such DTC Participant. See **“BOOK-ENTRY ONLY SYSTEM.”**

The Trustee is also directed to comply with any mandatory or voluntary standards then in effect for processing prepayments of municipal securities established by the Securities and Exchange Commission. Failure to comply with such standards shall not affect or invalidate the prepayment of any Series 2010B Certificate to be prepaid.

**Effect of Prepayment.** Notice of prepayment having been duly given as provided, and funds sufficient for payment of the prepayment price of such Series 2010B Certificates being held by the Trustee, on the prepayment date designated in such notice, the Series 2010B Certificates so called for prepayment shall become due and payable at the prepayment price specified in such notice and the Interest Portion of Basic Rent represented by the Series 2010B Certificates so called for prepayment shall cease to accrue, said Series 2010B Certificates shall cease to be entitled to any benefit or security under the Declaration of Trust and the Owners of such Series 2010B Certificates shall have no rights in respect thereof except to receive payment of the prepayment price.

### **Book-Entry Only System**

**General.** The Depository Trust Company (**“DTC”**), New York, New York, will act as securities depository for the Series 2010B Certificates. The ownership of one fully registered Series 2010B Certificate for each maturity, as set forth on the cover of this Official Statement, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as the nominee for DTC. Ownership interests in the Series 2010B Certificates will be available to purchasers only through a book-entry system maintained by DTC (the **“Book-Entry System”**). A description of DTC, the Book-Entry System and definitions of initially capitalized terms used herein are found in **APPENDIX D: “BOOK-ENTRY SYSTEM”** to this Official Statement.

**Risk Factors.** Beneficial Owners of the Series 2010B Certificates may experience some delay in their receipt of distributions of the principal or redemption price of and interest on the Series 2010B Certificates because such distributions will be forwarded by the Registrar to DTC, credited by DTC to its Direct Participants, and then credited to the accounts of the Beneficial Owners either directly or indirectly through Indirect Participants.

Because transactions in the Series 2010B Certificates can only be effected through DTC, DTC Participants and certain banks, the ability of a Beneficial Owner to pledge Series 2010B Certificates to persons or entities that do not participate in the Book-Entry System, or otherwise to take actions in respect of such Series 2010B Certificates, may be limited due to the lack of physical certificates. Beneficial Owners will not be recognized by the Registrar as registered owners for purposes of the Ordinance, and Beneficial Owners will be permitted to exercise the rights of registered owners only indirectly through DTC and DTC Participants.

## **SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010B CERTIFICATES**

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

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

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

Section 13-519 provides that for all fiscal years beginning on or after July 1, 1998, no governmental unit (including the City) may adopt a budget containing a total of budgeted restricted funds more than the last prior year's total of budgeted restricted funds plus allowable growth, plus a basic allowable growth percentage (initially 2½% until adjusted by the Legislature). Restricted funds generally include property taxes, excluding any amounts refunded to taxpayers, payments in lieu of property taxes, local option sales taxes, state aid, transfers of surpluses from any user fee, permit fee, or regulatory fee if the fee surplus is transferred to fund a service or function not directly related to the fee and the costs of the activity funded from the fee, any funds excluded from restricted funds for the prior year because they were budgeted for capital improvements but which were not spent and are not expected to be spent for capital improvements, and any excess tax collections returned to the county by a governmental unit as a result of overpayment due to clerical error or mistake. Allowable growth includes the percentage increase in taxable valuation in excess of the base limitation established under Section 77-3446, Reissue Revised

Statutes of Nebraska, as amended, if any, due to improvements to real property as a result of new construction, additions to existing buildings, any improvements to real property which increase the value of such property and any increase in valuation due to annexation and any personal property valuation over the prior year. Such budget limitations may be exceeded by up to an additional 1% upon the affirmative vote of at least 75% of the governing body of the governmental unit, and larger increases are permitted with the approval of a majority of legal voters voting on the issue of such increase at a special election held for such purposes.

Under Section 77-3442, the rates for levying property taxes are limited for each type of governmental unit in the State. The rate for cities is no more than 45¢ per \$100 of taxable valuation plus an additional 5¢ per \$100 of taxable valuation may be levied to provide financing for a city's share of revenue required under an agreement executed pursuant to the Interlocal Cooperation Act, Chapter 13, Article 8, Reissue Revised Statutes of Nebraska, as amended, or the Joint Public Agency Act, Chapter 13, Article 25, Reissue Revised Statutes of Nebraska, as amended. A political subdivision may exceed the levy limitations provided in Section 77-3442 or a final levy allocation determination as provided in Section 77-3443 by an amount not to exceed a maximum levy approved by a majority of registered voters. The limitations of Section 13-519 do not apply to restricted funds pledged to retire bonded indebtedness, and the limitations of Section 77-3442 do not apply to property taxes levied for bonded indebtedness approved according to law and secured by a levy on property. The City's total levy (excluding bond levy) for the current fiscal year is \$0.2539 which is expected to produce \$41,116,583 in collected taxes.

### **ADDITIONAL CERTIFICATES**

The Trustee may, at any time upon compliance with certain terms and conditions set forth in the Declaration of Trust, deliver Additional Certificates for any purpose specified in the Declaration of Trust. Any Additional Certificates will be equally and ratably secured by the Declaration of Trust on a parity with the Series 2010B Certificates. Concurrently with the delivery of any such Additional Certificates, the Trustee and the City shall deliver an amendment to the Lease obligating the City to make payments of principal thereof and interest thereon in amounts and at times sufficient to provide for the timely payment of principal of and interest on such Additional Certificates. See "**APPENDIX C: DEFINITIONS AND SUMMARIES OF CERTAIN PRINCIPAL DOCUMENTS - DECLARATION OF TRUST - Additional Certificates.**"

### **THE TRUSTEE**

The Trustee is not liable for the payment of Basic Rent Payments, and the Owners have no right to look to the Trustee for any payments of the Series 2010B Certificates or for any other payments other than from funds held under the Declaration of Trust.

### **RISK FACTORS**

#### **Inability to Liquidate**

The enforceability of the Series 2010B Certificates and the Lease is subject to applicable bankruptcy laws, equitable principles affecting the enforcement of creditors rights generally and liens securing such rights, and the police powers of the State and its political subdivisions. Because of the delays inherent in obtaining the remedies involving such property, a potential purchaser of the Series 2010B Certificates should not anticipate that remedies could be accomplished rapidly, if at all. Any delays in the ability of

the Trustee to exercise its remedies under the Lease or the Declaration of Trust may result in the payment of the Series 2010B Certificates or nonpayment of the Series 2010B Certificates after expenditures of any amount on deposit in the Reserve Fund.

### **Effects on the Tax Exemption of the Series 2010B Certificates Upon a Termination**

Special Tax Counsel expresses no opinion with respect to the applicability of the registration requirements of the Securities Act of 1933, to any Series 2010B Certificates in the event of a termination of the Lease by reason of an Event of Default. If the Lease is terminated by reason of such event, there is no assurance that the Series 2010B Certificates may be transferred by an Owner thereof without compliance with the registration provisions of the Securities Act of 1933, as amended, or the availability of an exemption therefrom.

Special Tax Counsel expresses no opinion as to the treatment for federal income tax purposes of any moneys received by a Registered Owner of the Series 2010B Certificates other than payments by the City made pursuant to the Lease, upon an Event of Default. There is no assurance that such moneys received by the Registered Owners of the Series 2010B Certificates in such event will be excludable from gross income for federal income tax purposes.

## **THE PROJECT**

### **Description of the Project**

The Project consists of acquisition of the real property located at 901 West Bond Street and 949 West Bond Street in the City and the buildings and facilities located thereon and remodeling, renovating, equipping and furnishing such buildings and facilities for use as a City of Lincoln Municipal Services Center. This will provide for consolidation of various functions within City government. Central to this consolidation will be the various activities of the Public Works Department such as the primary maintenance offices, street and traffic operations, design and construction services, long and short term planning, fleet services and computer support services. In addition the Municipal Services Center would be able to provide space for the Fire Department's Urban Search and Rescue Division, the Fire Department's 911 Center and Radio Shop and the Fire Prevention Bureau within the Department of Urban Development.

## **ESTIMATED SOURCES AND USES OF FUNDS**

The sources and application of funds in connection with the execution of the Series 2010B Certificates, exclusive of accrued interest, are estimated, based upon certain assumptions regarding the investment of such funds, as follows:

**Sources of Funds:**

Series 2010B Certificate Proceeds	\$7,780,000.00
Plus: Net Original Issue Premium	<u>22,292.25</u>
Total Sources of Funds	<u>\$7,802,292.25</u>

**Applications of Funds:**

Project Costs	\$7,666,072.25
Costs of Issuance*	<u>136,220.00</u>
Total Applications of Funds	<u>\$7,802,292.25</u>

\*Includes underwriter's discount, legal fees, printing expenses and other miscellaneous expenses.

**SCHEDULE OF LEASE PAYMENTS**

The following table sets forth the scheduled amortization of the Series 2010B Certificates:

<b>Calendar Year ending <u>December 31</u></b>	<b><u>Principal Portion</u></b>	<b><u>Interest Portion</u></b>	<b><u>Total</u></b>
2011	-	\$200,758.62	\$200,758.62
2012	\$495,000.00	210,708.76	705,708.76
2013	500,000.00	200,808.76	700,808.76
2014	505,000.00	190,808.76	695,808.76
2015	510,000.00	180,708.76	690,708.76
2016	520,000.00	170,508.76	690,508.76
2017	525,000.00	160,108.76	685,108.76
2018	540,000.00	148,296.26	688,296.26
2019	550,000.00	134,796.26	684,796.26
2020	565,000.00	119,671.26	684,671.26
2021	580,000.00	102,721.26	682,721.26
2022	595,000.00	84,596.26	679,596.26
2023	615,000.00	65,556.26	680,556.26
2024	630,000.00	44,800.00	674,800.00
2025	650,000.00	22,750.00	672,750.00
TOTALS	<u>\$7,780,000.00</u>	<u>\$2,037,598.74</u>	<u>\$9,817,598.74</u>

**SUMMARY OF THE LEGAL DOCUMENTS**

Attached hereto as *Appendix C* are summaries of certain provisions of the Site Lease, the Lease and the Declaration of Trust as well as certain defined terms used therein. The summaries do not purport to be complete, and reference is made to the full text of the Site Lease, the Lease and the Declaration of Trust, respectively, for a complete recital of their terms, as well as a complete recital of the defined terms used therein. Copies of all documents relating to the Series 2010B Certificates can be obtained from the

Trustee upon payment by such prospective purchaser requesting the same, upon payment by such prospective purchaser of the cost of complying with such request.

## **CONTINUING DISCLOSURE**

The City has determined that no financial or operating data concerning the Trustee is material to an evaluation of the offering of the Series 2010B Certificates or to any decision to purchase, hold or sell the Series 2010B Certificates, and the City will not provide any such information. The City has no responsibility to any person with respect to the provision of any information about the Trustee.

The City is executing and delivering the Disclosure Certificate for the benefit of the Owners and Beneficial Owners of the Series 2010B Certificates and in order to assist the Underwriter in complying with Rule 15c2-12 of the Securities and Exchange Commission (the “**Rule**”). The City is the only “obligated person” with responsibility for continuing disclosure.

### **Annual Reports**

Pursuant to the Disclosure Certificate, the City shall, not later than **May 1** of each year, commencing with May 1, 2011, provide to the Municipal Securities Rulemaking District (“**MSRB**”) the following financial information and operating data (the “**Annual Report**”):

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

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

### **Material Event Notices**

Pursuant to the Disclosure Certificate, the City also shall give notice of the occurrence of any of the following events with respect to the Certificates, if material (“**Material Events**”):

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults;
- (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 or events affecting the tax-exempt status of the Series 2010B Certificates;
- (7) modifications to rights of Owners;
- (8) optional, contingent or unscheduled calls of the Series 2010B Certificates;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Series 2010B Certificates; or

(11) rating changes.

If the City determines that a Material Event has occurred, the City shall promptly file a notice of such occurrence with the MSRB.

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

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

In the event of a failure of the City to comply with any provision of the Disclosure Certificate, any Owner or Beneficial Owner of the Series 2010B Certificates may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under the Disclosure Certificate. A default under the Disclosure Certificate shall not be deemed an Event of Default under the Lease Agreement or the Declaration of Trust, and the sole remedy under the Disclosure Certificate in the event of any failure of the City to comply with the Disclosure Certificate shall be an action to compel performance.

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

All Annual Reports and notices of Material Events required to be filed by the City or the dissemination agent pursuant to the Disclosure Certificate must be submitted to the MSRB through the MSRB's Electronic Municipal Market Access system ("**EMMA**"). EMMA is an internet-based, online portal for free investor access to municipal bond information, including offering documents, material event notices, real-time municipal securities trade prices and MSRB education resources, available at [www.emma.msrb.org](http://www.emma.msrb.org). Nothing contained on EMMA relating to the City or the Series 2010B Certificates is incorporated by reference in this Official Statement.

#### **RATING**

Moody's Investors Service has assigned the Series 2010B Certificates the rating of "Aaa." Such rating reflects only the views of such organization, and an explanation of the significance of such rating may be obtained from Moody's Investors Service, 7 World Trade Center, 350 Greenwich Street, 23<sup>rd</sup> Floor, New York, New York 10007, telephone (212) 553-0300.

Generally, a rating agency bases its rating on such information and materials and investigations, studies and assumptions furnished to and obtained and made by the rating agency. The debt rating is not a recommendation to purchase, sell or hold a security, inasmuch as it does not comment as to market price or suitability for a particular investor. There is no assurance that the above rating will remain for any given period of time or that it may not be lowered, suspended or withdrawn entirely by such rating agency if it deems circumstances are appropriate. Any downward change in, suspension or withdrawal of such rating may have an adverse effect on the market price of the Series 2010B Certificates.

## LITIGATION

The Transcript of Proceedings will contain a certificate of non-litigation dated as of the closing date and executed by the City to the effect that there is no controversy, suit or proceeding of any kind pending or, to the knowledge of the City, threatened wherein or whereby any question is raised, or may be raised, questioning, disputing or affecting in any way the legal organization of the City, or the legality of any official act shown to have been done regarding the execution and delivery of the Lease or the Series 2010 Certificates or the constitutionality or validity of the obligation represented by the Series 2010 Certificates or the means provided for the Basic Rent Payments under the Lease.

## TAX MATTERS

### Opinion of Bond Counsel

***Federal Tax Exemption.*** In the opinion of Gilmore & Bell, P.C., Special Tax Counsel, under existing law, the Interest Portion of Basic Rent Payments paid by the City and distributed to the registered owners of the Series 2010B Certificates (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal and Nebraska income tax purposes. The Interest Portion of Basic Rent Payments is not an item of tax preference for purposes of 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. 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 execution of the Series 2010B Certificates in order that said Interest Portion of Basic Rent be, or continue to be, excludable 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 said Interest Portion of Basic Rent represented by the Series 2010B Certificates in gross income for federal and Nebraska income tax purposes retroactive to the date of the initial delivery of the Series 2010B Certificates. The Series 2010B Certificates have not been designated as “qualified tax-exempt obligations” for purposes of Section 265(b) of the Code.

***Original Issue Discount.*** In the opinion of Special Tax Counsel, under existing law, the original issue discount in the selling price of each Series 2010B Certificate purchased in the original offering at a price less than the par amount thereof, to the extent properly allocable to each owner of such Series 2010 Certificate, is excludable from gross income for federal income tax purposes with respect to such owner. The original issue discount is the excess of the stated payment price at maturity of such Series 2010B Certificate over the initial offering price to the public (excluding underwriters and intermediaries) at which price a substantial amount of the Series 2010B Certificates were sold. Under Section 1288 of the Code, original issue discount on tax-exempt obligations accrues on a compound basis. The amount of original issue discount that accrues to an owner during any accrual period generally equals (a) the issue price of such Series 2010B Certificate plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (b) the yield to maturity on such Series 2010B Certificate (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (c) any Interest Portion of Basic Rent Payments payable to the owner of such Series 2010B Certificate during such accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner’s tax basis in such Series 2010B Certificate. Owners of any Series 2010B Certificates purchased at an original issue discount should consult with their individual



tax advisors regarding the determination and treatment of original issue discount for federal income tax purposes and the state and local consequences of owning such Series 2010B Certificates.

***Original Issue Premium.*** An amount equal to the excess of the purchase price of a Series 2010B Certificate over its stated redemption price at maturity constitutes premium on such Series 2010B Certificate. An owner of a Series 2010B Certificate must amortize any premium over such Series 2010B Certificate's term using constant yield principles, based on the Series 2010B Certificate's yield to maturity. As premium is amortized, the owner's basis in such Series 2010B Certificate and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocated to such owner. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Series 2010B Certificate prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Owners of Series 2010B Certificates purchased at a premium, whether at the time of initial issuance or subsequent thereto, should consult with their individual tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Series 2010B Certificates.

***No Other Opinions.*** Special Tax Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the Series 2010B Certificates.

#### **Other Tax Consequences**

Prospective purchasers of the Series 2010B Certificates should be aware that ownership of the Series 2010B Certificates may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Series 2010B Certificates. Special Tax Counsel expresses no opinion regarding these tax consequences. Purchasers of Series 2010B Certificates should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the Series 2010B Certificates, including the possible application of state, local, foreign and other tax laws.

### **LEGAL MATTERS**

All legal matters incident to the authorization, execution and delivery of the Series 2010B Certificates are subject to the approval of legality by Special Tax Counsel. Special Tax Counsel has participated in the preparation of this Official Statement but the factual and financial information appearing herein has been supplied or reviewed by the City, its officials and counsel. Certain legal matters will be passed upon for the City by its counsel, Rodney C. Confer, City Attorney, Lincoln, Nebraska.

### **UNDERWRITING**

Subject to certain conditions precedent, the Underwriter has agreed to purchase all of the Certificates for reoffering to the public. The Certificates are being offered by the Underwriter at an aggregate purchase price equal to the par amount thereof, plus net original issue premium in the amount of \$22,292.25, and less an underwriting discount of \$77,800.00.

The Underwriter intends to offer the Certificates to the public initially at the offering prices set forth on the cover of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter may offer and sell the Certificates to certain dealers (including dealers depositing Certificates into investment trusts) and others at prices lower than the offering prices set forth on the cover of this Official Statement.

### **ADDITIONAL INFORMATION**

Additional information with respect to the City and the Series 2010B Certificates may be obtained upon request from the City.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. This Official Statement is not to be construed as a contract or agreement between the City and Series 2010B Certificate Owners.

This Official Statement has been approved by the City and is submitted only in connection with the sale of the Series 2010B Certificates and may not be reproduced or used in whole or in part for any other purpose.

\* \* \* \* \*

## **APPENDIX A**

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

# **THE CITY OF LINCOLN**

## **General**

Lincoln, the capital of Nebraska, is located in southeastern Nebraska near the center of population of the state. The City was originally incorporated in 1869. It is approximately midway between Chicago and Denver. It has an area of 90.48 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. It is currently one of the fastest growing non-Sunbelt cities in the U.S. and one of the fastest growing metro areas in the Midwest.

## **Population**

The 1960 population of the City was 128,521; the 1970 population was 149,510; the 1980 population was 171,932; the 1990 population was 191,972; and the 2000 population was 225,588, a 17.5 percent increase over the 1990 count. The 2000 count represents approximately 90 percent of the population of Lancaster County, the county in which the City is located. The estimated 2009 population is 251,624.

## **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. Eppler Airfield, located in east Omaha, is 65 minutes from downtown Lincoln and offers service from 13 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/BlackHills 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), the Nebraska State Fair Park, 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 23,000 students, Nebraska Wesleyan University, with approximately 2,000 students, Union College, with approximately 1,000 students, Kaplan University, with approximately 700 students and Southeast Community College, with approximately 10,000 students and with a number of facilities for both full-time and part-time occupational training, are in the City of Lincoln. The City's modern and progressive school system, with an enrollment of over 32,000 is served by 6 senior high schools, 10 middle schools, and 36 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 Christian.

## **Building Permits and Property Values**

LAST TEN YEARS								
FISCAL YEAR	COMMERCIAL 1 CONSTRUCTION		RESIDENTIAL 1 CONSTRUCTION		PROPERTY VALUE 2		TOTALS	
	# PERMITS	VALUE	# PERMITS	VALUE	COMMERCIAL	RESIDENTIAL		
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	315,666,242	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
2001	1,017	215,856,679	3,212	231,390,626	2,540,905,431	6,273,610,610		8,814,516,041
2000	1,069	181,983,107	3,385	225,622,611	2,356,367,014	6,067,493,586		8,423,860,600

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

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

## **Police and Fire Protection**

Lincoln has fourteen fire stations manned by 267 firefighters and three police stations with 318 police officers.

## **City Employee Information**

For the 2009-2010 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. The LPU, IAF, ATU, CEA and PAGE contracts expire at the end of August, 2010. The LMCEA contract expires at the end of August, 2011.

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 union representing labor, trades, and clerical personnel.

## SELECTED ECONOMIC INDICATORS

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

	MAY 31, 2009		NOVEMBER 30, 2009	
	Number Employed	Percent of Total	Number Employed	Percent of Total
Manufacturing	12,787	7.7	12,185	7.4
	12,787	7.7	12,185	7.4
Nonmanufacturing:				
Natural Resource & Construction	7,243	4.3	7,238	4.4
Wholesale Trade	3,679	2.2	3,654	2.2
Retail Trade	17,601	10.5	16,927	10.3
Information	2,223	1.3	2,221	1.3
Financial Activities	12,659	7.6	12,599	7.6
Services (except domestic)	71,934	43.1	71,288	43.3
Government	38,914	23.3	38,677	23.5
Total Nonmanufacturing	154,253	92.3	152,604	92.6
TOTAL	167,040	100.0	164,789	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 2009-2000) (For the Calendar Year Indicated)

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Civilian Labor Force	159,298	159,943	157,887	157,632	157,999	158,444	156,940	153,021	150,846	150,239
Unemployment	7,015	4,899	4,462	4,592	5,643	5,346	5,841	5,007	4,209	3,542
Percent of Labor Force	4.4	3.1	2.8	2.9	3.6	3.4	3.7	3.3	2.8	2.4
Employment	152,283	155,044	153,425	153,040	152,355	153,098	151,100	148,013	146,636	146,697

### STATE OF NEBRASKA

Percent of Labor Force										
Unemployment	4.7	3.3	3.0	3.2	3.9	3.8	3.8	3.6	3.1	2.7

Source: State of Nebraska, Department of Labor

**DEMOGRAPHIC STATISTICS  
LAST TEN YEARS**

Year	Population 1	Per Capita Personal Income 2	School Enrollment 3
2009	251,624	\$	34,973
2008	248,744		34,061
2007	241,167	35,254	33,466
2006	239,213	33,705	32,934
2005	238,625	32,617	32,505
2004	236,146	31,800	32,270
2003	235,565	30,846	31,889
2002	231,800	30,064	31,867
2001	225,588	29,330	31,581
2000	218,497	29,020	31,354

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 2008 and 2009 is unavailable.

3 Lincoln Public Schools.

Median age from the 2000 census was 31.3. Education statistics per the 2000 Census indicate that 90.2% of the population 25 years and older has a high school degree or greater with 33% of the same population holding a Bachelor's degree or greater.

**LINCOLN UTILITY CUSTOMERS  
LAST TEN YEARS**

Year	Water Customers	Gas Customers	Electricity Customers
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
2001	68,187	87,749	112,247
2000	66,956	86,501	110,414

Source: Indicated Utility Companies

## SELECTED FINANCIAL STATISTICS

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

Fiscal Year	General Government	Public Safety	Streets And Highways	Culture And Recreation	Economic Opportunity	Health And Welfare	Mass <sup>2</sup> Transit	Debt Service	Totals
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
2001	23,821,580	48,122,074	11,175,059	14,806,760	12,559,336	15,862,462	-	7,742,690	134,089,961
2000	23,529,495	44,042,882	9,039,840	13,958,414	11,204,029	13,974,690	-	7,924,295	123,673,645

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

<sup>2</sup> StarTran added as a Governmental Fund in 2002.

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

Fiscal Year	Taxes And Special Assessment	Inter-Governmental	Permits And Fees	Reimbursement For Services	Investment Earnings	Other	Totals
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 <sup>2</sup>	105,139,052	59,029,609	12,449,879	5,605,557	4,606,825	10,325,634	197,156,556
2001	95,016,014	48,619,317	9,638,475	5,071,766	8,005,027	9,146,189	175,496,788
2000	92,305,453	35,807,100	9,838,029	4,896,203	9,330,374	10,246,196	162,423,355

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

<sup>2</sup> StarTran added as a Governmental Fund in 2002.



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

Fiscal Year Ended <u>August 31</u>	Special Assessment Collections <u>Including Interest</u>
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
2001	1,796,924
2000	1,948,791

<sup>1</sup> Special assessment collections are not tracked by levy year, therefore the portion of collections during any year which 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 2009 tax levy for the 2009-2010 fiscal year is \$84,939,527 below the legal limit, a tax rate per \$100 valuation of .28788. The assessed value upon which the 2009 levy is based is \$15,746,453,582. By charter, only 90% of the property tax levy may be appropriated.

For the 2009-2010 fiscal year the City is subject to a state imposed lid on the appropriation of “restricted funds”, which 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 interlocal agreements are exempt from the lid. For 2009-2010 the City can also use authority equal to the greater of 2.5% or the amount of real growth in the tax base which was 1.85%. An additional 1% can be authorized by a 75% vote of the City Council but was not utilized for the 2009-2010 budget. The 2009-2010 budget is approximately \$12.1 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 April 1 and August 1. Delinquent taxes bear 14 percent interest. The figures below include interest and penalties. The figures below do not include motor vehicle in lieu of ad valorem taxes.

Tax Year	Taxes Levied	Collected As Of August 31 After Levy		Accumulated Collections As Of August 31, 2009	
		Amount	Percent	Amount	Percent
2009	\$ 45,875,327	\$ 44,419,142	96.83 %	\$ 44,419,142	96.83 %
2008	45,064,524	43,561,215	96.66	45,170,532	100.24
2007	43,475,089	41,848,163	96.26	43,432,987	99.90
2006	40,873,358	39,579,041	96.83	41,068,497	100.48
2005	38,755,995	37,514,748	96.80	38,872,118	100.30
2004	36,994,112	35,726,509	96.57	37,034,522	100.11
2003	35,007,926	33,676,453	96.20	35,040,518	100.09
2002	33,731,282	32,501,760	96.35	33,833,541	100.30
2001	31,159,364	29,936,079	96.07	31,146,108	99.96
2000	29,603,794	28,665,780	96.83	29,761,421	100.53

## **TEN LARGEST TAXPAYERS**

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

<u>Taxpayers</u>	<u>Type Of Business</u>	<u>2009 Assessed Valuations</u>	<u>Percentage Of Total Assessed Valuation</u>
Burlington Northern	Railroad	\$ 90,073,928	.57%
B & J Partnership Ltd.	Building Management	75,543,266	.47
Kawasaki	Manufacturing	69,661,956	.44
WEA Gateway LLC	Retail Management	59,352,318	.37
Pfizer	Animal Health	57,320,332	.36
Windstream	Telecommunications	56,779,077	.36
Ameritas Life Insurance Corp	Insurance	54,189,717	.34
Chateau Van Dorn LLC	Real Estate Development	50,457,704	.32
Nebco	Construction/Development	46,352,883	.29
Molex Inc.	Manufacturing	46,194,962	.29
		<u>\$ 605,926,143</u>	<u>3.81%</u>

## CITY SALES TAX INFORMATION

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

### SALES AND USE TAX COLLECTIONS LAST TEN YEARS

<u>Year Ended</u> <u>August 31</u>	<u>Amount</u>
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
2001	44,486,127
2000	43,608,313

### 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
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
2001	20,284,364	44,486,127	8,497	1,107,183	5,889,097	71,775,268
2000	19,487,198	43,608,313	8,522	1,043,287	5,651,371	69,798,691

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

Tax Year		Real Estate	All Other	Total
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
2001		8,814,516,041	806,431,814	9,620,947,855
2000		8,423,860,600	716,780,457	9,140,641,057

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

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

	Tax Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
City of Lincoln	0.2879	0.2879	0.2833	0.3009	0.2950	0.2903	0.3145	0.3145	0.3239	0.3239
School District No. 1	1.2668	1.2719	1.2764	1.3142	1.3141	1.3011	1.2830	1.2732	1.3684	1.3813
Lancaster County	0.2683	0.2755	0.2655	0.2841	0.2797	0.2683	0.2683	0.2583	0.2643	0.2584
Educational Service Unit #18	0.0150	0.0141	0.0141	0.0150	0.0150	0.0150	0.0150	0.0150	0.0150	0.0150
Community Technical College	0.0722	0.0689	0.0689	0.0696	0.0655	0.0655	0.0655	0.0636	0.0295	0.0334
Lower Platte South Natural Res. Dist.	0.0410	0.0418	0.0416	0.0422	0.0323	0.0323	0.0359	0.0365	0.0367	0.0372
Railroad Transportation Safety Dist.	0.0260	0.0260	0.0246	0.0260	0.0260	0.0248	0.0220	0.0221	0.0260	0.0260
Lancaster County Correctional JPA City	0.0195	-	-	-	-	-	-	-	-	-
Lancaster County Correctional JPA County	0.0106	-	-	-	-	-	-	-	-	-
Agricultural Society of Lancaster County	0.0015	0.0016	0.0016	0.0018	0.0020	0.0030	0.0012	0.0024	0.0073	0.0032
Lancaster County Fairgrounds	0.0038	0.0043	0.0037	0.0042	0.0042	0.0043	0.0050	0.0052	0.0000	0.0000
Public Building Commission	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170
	<u>2.0296</u>	<u>2.0090</u>	<u>1.9967</u>	<u>2.0750</u>	<u>2.0508</u>	<u>2.0216</u>	<u>2.0274</u>	<u>2.0078</u>	<u>2.0881</u>	<u>2.0954</u>

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

# DEBT MANAGEMENT

## OUTSTANDING INDEBTEDNESS AS OF AUGUST 31, 2009

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

Original Amount	Issued	Issue	Interest Rate	When Due	Date Callable	Interest Date	Outstanding
<b>Governmental Activities:</b>							
General Obligation Bonds:							
General Bonds:							
14,435	03/01/99	Various Purpose Series A	3.000 - 4.600	Serial 2000 to 2014	2009	Semiannually	\$ 5,840
7,365	03/01/99	Various Purpose Series A	4.750	Term 2019	2009	"	7,365
8,220	03/01/99	Various Purpose Series B	3.000 - 4.250	Serial 1999 to 2011	2007	"	1,160
6,350	05/29/02	Storm Sewer and Drainage	3.000 - 5.000	Serial 2004 to 2020	2010	"	4,940
1,150	05/29/02	Storm Sewer and Drainage	5.00	Term 2022	2010	"	1,150
15,595	07/08/03	Various Purpose	2.625 - 3.750	Serial 2004 to 2017	2013	"	7,145
3,710	07/08/03	Various Purpose	4.000 / 4.125	Term 2020 & 2023	2013	"	3,710
6,555	06/01/05	Storm Sewer Refunding	2.500 - 4.375	Serial 2005 to 2017	2011	"	4,870
9,950	06/15/05	Storm Sewer Construction	3.250 - 4.250	Serial 2006 to 2025	2015	"	8,465
8,295	06/27/07	Stormwater Drainage and Flood Mgmt	4.625 - 5.000	Serial 2008 to 2027	2017	"	7,795
Total General Bonds							<u>\$ 52,440</u>
Tax Allocation Bonds:							
1,035	04/21/04	Tax Allocation Bonds	2.000 - 3.200	Serial 2004 to 2011	2008	Semiannually	420
5,500	04/21/04	Tax Allocation Bonds	3.000 - 4.800	Serial 2004 to 2015	2010	"	3,750
365	08/15/05	Tax Allocation Bonds	4.750	Serial 2006 to 2018	Anytime	"	271
288	10/01/06	Tax Allocation Bonds	5.100	Serial 2008 to 2016	Anytime	"	247
2,205	04/05/07	Tax Allocation Bonds	5.000 - 5.550	Serial 2009 to 2018	2012	"	2,205
601	06/01/07	Tax Allocation Bonds	5.240	Serial 2008 to 2018	Anytime	"	578
388	06/01/07	Tax Allocation Bonds	5.240	Serial 2007 to 2020	Anytime	"	346
369	06/15/07	Tax Allocation Bonds	5.400	Serial 2007 to 2014	Anytime	"	285
42	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2021	Anytime	"	42
71	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2017	Anytime	"	71
474	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2022	Anytime	"	429
547	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	532
200	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	194
611	06/30/09	Tax Allocation Bonds	7.00	Serial 2011 to 2023	Anytime	"	611
3,375	07/28/09	Tax Allocation Bonds	2.500 - 6.400	Serial 2011 to 2023	Anytime	"	3,375
Total Tax Allocation Bonds							<u>\$ 13,356</u>
Tax Supported Bonds:							
35,000	03/17/04	Highway Allocation Fund	2.000 - 5.000	Serial 2007 to 2023	2014	Semiannually	34,080
27,000	12/05/06	Highway Allocation Fund	4.000 - 5.000	Serial 2008 to 2027	2016	"	25,305
Total Tax-Supported Bonds							<u>\$ 59,385</u>
TOTAL GENERAL OBLIGATION BONDS							<u>\$ 125,181</u>
Tax Supported Bonds:							
11,080	3/13/02	Antelope Valley Project	1.500 - 5.000	Serial 2002 to 2016	2012	Semiannually	<u>\$ 7,265</u>
<b>Business-Type Activities:</b>							
Revenue Bonds:							
39,235	07/31/03	Wastewater Revenue	2.000 - 5.000	Serial 2004 to 2023	2013	Semiannually	\$ 29,720
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	"	16,030
16,710	04/18/07	Wastewater Revenue	4.000 - 4.500	Serial 2008 to 2029	2017	"	15,840
3,750	04/18/07	Wastewater Revenue	4.375	Term 2032	2017	"	3,750
Total Wastewater Bonds							<u>\$ 81,105</u>
11,850	11/22/02	Water Revenue	2.750 - 5.000	Serial 2005 to 2017	2012	Semiannually	\$ 7,940
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	-	"	11,100
40,000	11/16/04	Water Revenue	3.000 - 5.000	Serial 2005 to 2025	2014	"	35,160
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							<u>\$ 76,280</u>
6,695	09/08/99	Parking Revenue Series A	5.375	Term 2014	2009	"	\$ 6,695
4,360	12/18/01	Parking Revenue	3.750 - 5.000	Serial 2002 to 2017	2011	"	2,475
1,640	12/18/01	Parking Revenue	5.125	Term 2021	2011	"	1,640
Total Parking Bonds							<u>\$ 10,810</u>
3,165	11/27/01	Golf Course Revenue Refunding	2.300 - 4.050	Serial 2002 to 2011	2008	Semiannually	<u>\$ 715</u>
4,000	08/17/06	Solid Waste Management Revenue	4.000 - 4.250	Serial 2007 to 2021	2013	Semiannually	<u>\$ 3,430</u>
148,190	10/01/02	Electric Revenue and Refunding Bonds	4.000 - 5.000	Serial 2004 to 2025	2012	"	103,290
93,045	10/01/03	Electric Revenue and Refunding Bonds	3.000 - 5.000	Serial 2004 to 2026	2014	"	84,415
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	"	183,230
81,850	05/15/07	Electric Revenue and Refunding Bonds	4.500 / 4.750	Term 2034 & 2037	2016	"	81,850
Total Electric Bonds							<u>\$ 601,050</u>
TOTAL REVENUE BONDS							<u>\$ 773,390</u>

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

Fiscal Year Ended August 31	Governmental Activities					
	General Obligation Bonds		Tax Supported Bonds		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 6,798	5,351	660	326	3,198	1,042
2011	7,288	5,130	685	299	3,212	953
2012	8,162	4,816	710	271	3,656	847
2013	8,063	4,474	740	238	2,429	726
2014	8,385	4,120	780	200	2,418	639
2015 - 2019	43,222	14,857	3,690	335	8,779	1,924
2020 - 2024	35,298	6,023	-	-	2,630	749
2025 - 2029	7,965	657	-	-	1,772	155
	<u>\$ 125,181</u>	<u>45,428</u>	<u>7,265</u>	<u>1,669</u>	<u>28,094</u>	<u>7,035</u>

Fiscal Year Ended August 31	Business-Type Activities			
	Revenue Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2010	\$ 27,730	36,590	146	13
2011	29,000	35,270	127	7
2012	28,750	33,895	65	1
2013	27,800	32,481	-	-
2014	29,265	31,121	-	-
2015 - 2019	159,060	133,377	-	-
2020 - 2024	141,370	94,338	-	-
2025 - 2029	112,620	66,044	-	-
2030 - 2034	114,460	38,872	-	-
2035 - 2039	103,335	10,447	-	-
	<u>\$ 773,390</u>	<u>512,435</u>	<u>338</u>	<u>21</u>

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

Net assets of \$3,945,644, \$3,401,372, and \$8,708,856 are currently available in the debt service funds to service the General Obligation Bonds, Tax Supported Bonds, and Tax Allocation 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	\$ 515,750	\$ 210,000
Buildings	11,914,750	-
Improvements	219,925	-
Infrastructure	10,933,215	-
Machinery and Equipment	1,838,042	3,113,553
Less Accumulated Depreciation, (where applicable)	<u>(3,483,954)</u>	<u>(2,416,018)</u>
Total	<u>\$ 21,937,728</u>	<u>\$ 907,535</u>

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

Established by City Ordinance, LES may borrow up to \$150 million under a commercial paper note program. At December 31, 2008, LES had \$90.0 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, 2008, was 2.29 percent. The annual requirement to pay interest on this outstanding debt is approximately \$2.1 million. 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.

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, 2009, is summarized below (unaudited):

<u>Governmental Units</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>1</sup></u>	<u>Direct And Overlapping Debt To The City</u>
Direct:			
City	\$ <u>125,181,000</u>	100.0 %	\$ <u>125,181,000</u>
Overlapping:			
School District #1	329,200,000	99.5	327,554,000
Lower Platte South N.R.D.	4,750,000	75.4	3,582,000
Lancaster County	2,330,000	85.4	1,990,000
Public Building Commission	44,400,000	85.4	37,918,000
Lancaster County Correctional Facility	64,390,000	85.4	54,989,000
Lancaster County Fairgrounds	<u>8,830,000</u>	85.4	<u>7,541,000</u>
	<u>453,900,000</u>		<u>433,574,000</u>
Total	\$ <u><u>579,081,000</u></u>		\$ <u><u>558,755,000</u></u>

The City has no direct liability for the School District, Lower Platte South N.R.D., Lancaster County, Public Building Commission, Lancaster County Fairgrounds or Lancaster County Correctional Facility debt summarized above. This results in a per capita direct City debt of \$497.49; a per capita direct and overlapping debt of \$2,220.60; a ratio of direct City debt to 2009 actual valuation of .79 percent; and a ratio of direct and overlapping debt to 2009 actual valuation of 3.51 percent.

### **Debt Payment Record**

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

### **Contingencies**

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

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

Fiscal Year	Principal	Interest <sup>3</sup>	Total Debt Service	Total General Governmental Expenditures <sup>1,2</sup>	Ratio Of Debt Service To Total General Expenditures
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
2001	4,966,405	2,753,247	7,719,652	134,089,961	5.76
2000	5,125,296	2,772,021	7,897,317	123,673,645	6.39

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

<sup>2</sup> StarTran added as a Governmental Fund in 2002.

<sup>3</sup> Does not include fiscal and miscellaneous charges.

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

Fiscal Year	General Obligation Bonded Debt	Sinking Funds	Net General Obligation Bonded Debt	Population <sup>1</sup>	Net G.O. Bonded Debt Per Capita	Assessed Valuation Real And Personal <sup>2</sup>	Ratio Of Net Debt To Assessed Valuation Real & Personal	Assessed Valuation Of Taxable Real Property <sup>2</sup>	Ratio Of Net Debt To Estimated Valuation Of Taxable Real Property
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
2001	54,418,000	11,243,000	43,175,000	225,588	191.39	9,620,947,855	0.45	8,814,516,041	0.49
2000	58,814,000	9,739,000	49,075,000	218,497	224.60	9,140,641,057	0.54	8,423,860,600	0.58

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

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



**REVENUE BOND COVERAGE  
LAST TEN FISCAL YEAR**

		Gross	Direct	Net	Debt Service Requirements			
		Revenue	Operating	Available	Principal	Interest	Total	Coverage
			Expenses	Revenue				
<u>Wastewater System</u>								
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
2001		16,663,975	8,087,688	8,576,287	952,500	364,972	1,317,472	6.51
2000		16,741,692	7,707,242	9,034,450	912,500	411,097	1,323,597	6.83
<u>Water System</u>								
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
2001		22,489,456	10,960,315	11,529,141	2,755,000	2,240,075	4,995,075	2.31
2000		24,018,217	9,812,147	14,206,070	2,640,000	2,361,515	5,001,515	2.84
<u>Golf</u>								
		<u>Facility and Course Fees</u>						
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
2001		2,626,592	2,140,853	485,739	230,000	239,088	469,088	1.04
2000		2,934,568	1,952,906	981,662	215,000	252,310	467,310	2.10
<u>Parking Facilities</u> <sup>1,2</sup>								
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
2001		5,172,264	2,127,350	3,044,914	795,000	787,419	1,582,419	1.92
2000		4,853,708	1,393,637	3,460,071	455,000	761,521	1,216,521	2.84
<u>Solid Waste Management</u>								
2009	\$	7,664,336	4,482,819	3,181,517	195,000	148,225	343,225	9.27
2008		8,537,520	5,701,312	2,836,208	190,000	155,825	345,825	8.20
2007		8,020,390	5,079,147	2,941,243	185,000	155,971	340,971	8.63

- 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. 2009	F.Y. 2008	F.Y. 2007	F.Y. 2006	F.Y. 2005	F.Y. 2004	F.Y. 2003	F.Y. 2002	F.Y. 2001	F.Y. 2000
Cash & Investment Balance - September 1 of Year Indicated	15,738,481	14,632,274	13,475,643	18,948,253	23,521,130	26,784,845	26,589,993	24,802,768	26,814,745	25,069,133
Receipts:										
Property Tax	33,783,984	32,181,660	31,454,763	28,366,526	26,727,618	24,546,532	22,780,085	23,353,414	20,284,364	19,487,198
City Sales & Use Tax	54,255,376	55,733,297	53,960,485	54,270,346	53,781,209	51,869,477	48,657,268	45,393,492	44,486,127	43,608,313
Other Income	<u>27,389,492</u>	<u>26,270,119</u>	<u>27,663,641</u>	<u>25,390,112</u>	<u>25,620,145</u>	<u>23,615,320</u>	<u>24,933,838</u>	<u>26,342,414</u>	<u>21,786,016</u>	<u>21,339,093</u>
Total Receipts	115,428,852	114,185,076	113,078,889	108,026,984	106,128,972	100,031,329	96,371,191	95,089,320	86,556,507	84,434,604
Less Disbursements	<u>114,880,707</u>	<u>113,078,869</u>	<u>111,922,258</u>	<u>113,499,594</u>	<u>110,701,849</u>	<u>103,295,044</u>	<u>96,176,339</u>	<u>93,302,095</u>	<u>88,568,484</u>	<u>82,688,992</u>
Cash & Investment Balance - August 31 of Year Indicated	<u><u>16,286,626</u></u>	<u><u>15,738,481</u></u>	<u><u>14,632,274</u></u>	<u><u>13,475,643</u></u>	<u><u>18,948,253</u></u>	<u><u>23,521,130</u></u>	<u><u>26,784,845</u></u>	<u><u>26,589,993</u></u>	<u><u>24,802,768</u></u>	<u><u>26,814,745</u></u>

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

	<u>F.Y. 2009</u>	<u>F.Y. 2008</u>	<u>F.Y. 2007</u>	<u>F.Y. 2006</u>	<u>F.Y. 2005</u>	<u>F.Y. 2004</u>	<u>F.Y. 2003</u>	<u>F.Y. 2002</u>	<u>F.Y. 2001</u>	<u>F.Y. 2000</u>
Cash Balance - September 1 of Year Indicated	4,201,889	4,057,088	2,761,491	3,364,608	3,570,557	2,935,997	3,440,537	3,099,198	3,313,405	3,536,402
Receipts:										
Property Tax	5,689,007	5,709,454	5,460,690	2,973,410	5,607,615	5,387,468	5,883,592	6,340,938	5,814,489	5,843,384
Interest Income	131,475	153,977	84,935	86,812	83,286	48,595	32,298	53,873	107,693	174,146
Bond Proceeds					6,597,635		9,436,083			
Other Income	<u>173,446</u>	<u>1,003,173</u>	<u>1,927,112</u>	<u>2,935,603</u>	<u>149,038</u>	<u>691,340</u>	<u>240,110</u>	<u>232,009</u>	<u>235,736</u>	<u>247,591</u>
Total Receipts	<u>5,993,928</u>	<u>6,866,604</u>	<u>7,472,737</u>	<u>5,995,825</u>	<u>12,437,574</u>	<u>6,127,403</u>	<u>15,592,083</u>	<u>6,626,820</u>	<u>6,157,918</u>	<u>6,265,121</u>
Disbursements:										
Bonds Paid	4,320,000	4,260,000	3,950,000	4,250,000	3,850,000	3,215,000	4,177,765	4,137,254	4,052,948	3,973,769
Bonds Defeased							9,609,774			
Interest Paid	2,335,411	2,456,373	2,217,610	2,342,582	2,197,207	2,271,548	2,309,084	2,144,322	2,308,922	2,500,471
Transfer to Trustee					6,504,876					
Other Disbursements	<u>6,438</u>	<u>5,430</u>	<u>9,530</u>	<u>6,360</u>	<u>91,440</u>	<u>6,295</u>		<u>3,905</u>	<u>10,255</u>	<u>13,878</u>
Total Disbursements	<u>6,661,849</u>	<u>6,721,803</u>	<u>6,177,140</u>	<u>6,598,942</u>	<u>12,643,523</u>	<u>5,492,843</u>	<u>16,096,623</u>	<u>6,285,481</u>	<u>6,372,125</u>	<u>6,488,118</u>
Equity Transfer										
Cash Balance - August 31 of Year Indicated	<u><u>3,533,968</u></u>	<u><u>4,201,889</u></u>	<u><u>4,057,088</u></u>	<u><u>2,761,491</u></u>	<u><u>3,364,608</u></u>	<u><u>3,570,557</u></u>	<u><u>2,935,997</u></u>	<u><u>3,440,537</u></u>	<u><u>3,099,198</u></u>	<u><u>3,313,405</u></u>

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

	<u>F.Y. 2009</u>	<u>F.Y. 2008</u>	<u>F.Y. 2007</u>	<u>F.Y. 2006</u>	<u>F.Y. 2005</u>	<u>F.Y. 2004</u>	<u>F.Y. 2003</u>	<u>F.Y. 2002</u>	<u>F.Y. 2001</u>	<u>F.Y. 2000</u>
Cash & Investment Balance - September 1 of Year Indicated	11,148,146	9,991,053	8,846,000	7,583,251	7,830,502	6,910,967	6,586,633	3,778,207	4,964,458	5,003,362
Receipts:										
Special Assessment Collections	954,672	1,235,621	1,257,112	1,476,284	1,208,686	1,654,695	1,271,575	1,360,347	1,529,352	1,638,233
Interest on Special Assessments	112,749	179,258	188,349	189,927	204,108	267,298	346,725	294,839	257,157	310,558
City's Share of Costs	34,802		187,957	723,038	578,992	116,009	97,107	2,145,574	2,516,175	895,961
Developers' Share of Costs								4,617	473,445	
Bond Proceeds										
Interest on Investments	335,273	453,282	340,274	254,809	217,996	140,289	130,555	137,143	219,536	286,460
Miscellaneous	<u>33,964</u>	<u>49,403</u>	<u>74,657</u>	<u>30,687</u>	<u>288,482</u>	<u>195,535</u>	<u>474,438</u>	<u>144,005</u>	<u>993,245</u>	
Total Receipts	<u>1,437,496</u>	<u>1,902,125</u>	<u>2,023,095</u>	<u>2,718,715</u>	<u>2,240,469</u>	<u>2,466,773</u>	<u>2,041,497</u>	<u>4,416,958</u>	<u>5,139,670</u>	<u>4,124,457</u>
Disbursements:										
Construction Costs	861,203	742,698	766,768	1,066,513	1,796,239	1,399,323	1,560,456	1,090,434	3,646,025	2,338,999
Bonds Paid			55,000		100,000	105,000	105,000	110,000	270,000	770,000
Equity Transfer	7,554,009									
Interest Paid on Bonds & Notes			37,581		3,425	10,420	17,534	24,762	39,438	67,293
Other Refunds & Expenses	<u>8,719</u>	<u>2,334</u>	<u>18,693</u>	<u>389,453</u>	<u>588,056</u>	<u>32,495</u>	<u>34,173</u>	<u>383,336</u>	<u>2,370,458</u>	<u>987,069</u>
Total Disbursements	<u>8,423,931</u>	<u>745,032</u>	<u>878,042</u>	<u>1,455,966</u>	<u>2,487,720</u>	<u>1,547,238</u>	<u>1,717,163</u>	<u>1,608,532</u>	<u>6,325,921</u>	<u>4,163,361</u>
Cash & Investment Balance - August 31 of Year Indicated	<u><u>4,161,711</u></u>	<u><u>11,148,146</u></u>	<u><u>9,991,053</u></u>	<u><u>8,846,000</u></u>	<u><u>7,583,251</u></u>	<u><u>7,830,502</u></u>	<u><u>6,910,967</u></u>	<u><u>6,586,633</u></u>	<u><u>3,778,207</u></u>	<u><u>4,964,458</u></u>

**APPENDIX B**

**FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR  
ENDED AUGUST 31, 2009, TOGETHER WITH AUDITORS' REPORT THEREON**

# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**OF THE  
CITY OF LINCOLN, NEBRASKA**

**FOR THE FISCAL YEAR ENDED AUGUST 31, 2009**

Prepared by:

The Accounting Division of the Finance Department

## **INTRODUCTORY SECTION**

## OFFICIALS OF THE CITY OF LINCOLN

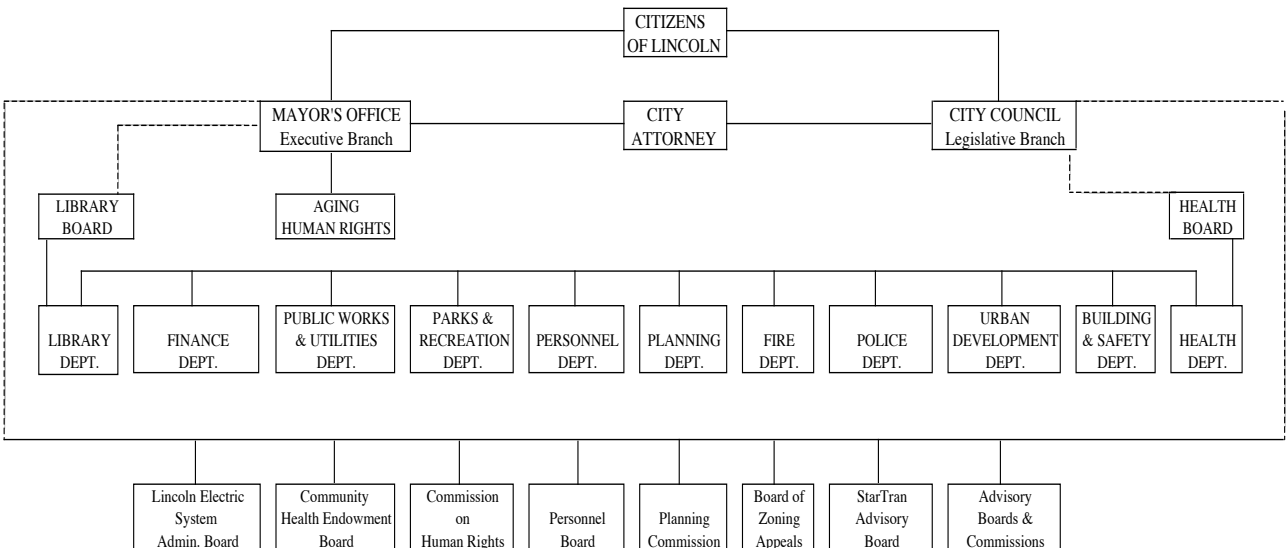
Chris Beutler.....	Mayor
Doug Emery .....	Chair, City Council
John Spatz .....	Vice Chair, City Council
Jon Camp.....	Council Member
Eugene Carroll.....	Council Member
Jonathan Cook.....	Council Member
Adam Hornung.....	Council Member
Jayne Snyder.....	Council Member

\* \* \* \* \*

Don Herz .....	Finance Director
Marvin Krout.....	Planning Director
Lynn Johnson .....	Parks and Recreation Director
Douglas Curry .....	Lincoln Electric System Administrator
David Landis .....	Urban Development Director
Pat Leach .....	Library Director
Greg MacLean.....	Public Works/Utilities Director
Fred Hoke.....	Building and Safety Director
Bruce Dart .....	Health Director
Mark Koller .....	Personnel Director
Rodney Confer .....	City Attorney
Thomas Casady .....	Police Chief
Niles Ford.....	Fire Chief

\* \* \* \* \*

## CITY OF LINCOLN ORGANIZATION CHART





**CITY OF LINCOLN, NEBRASKA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2009  
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# CITY OF LINCOLN NEBRASKA

**MAYOR CHRIS BEUTLER**

lincoln.ne.gov

Office of the Mayor  
555 South 10th Street  
Suite 208  
Lincoln, Nebraska 68508  
402-441-7511  
fax: 402-441-7120  
mayor@lincoln.ne.gov

February 24, 2010

Dear Citizens and Public Officials:

It is my pleasure to submit the City of Lincoln's Comprehensive Annual Financial Report for the fiscal year that ended August 31, 2009.

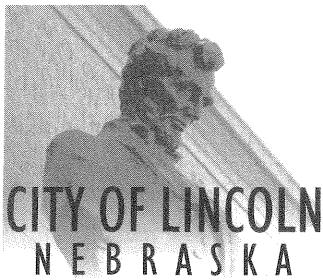
Ensuring both fiscal and operational accountability in our use of public resources is a priority for my Administration, and this report is essential to that effort. This report provides a complete and accurate picture of the City's financial status and fulfills our continuing disclosure responsibilities 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 2008 report submitted to the Government Finance Officers Association was recognized with the prestigious Certificate of Achievement for Excellence in Financial Reporting for the 26th consecutive year. This recognition is a credit to the City and a compliment to our dedicated Finance Department.

I would like to thank 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



Finance Department  
Don Herz, Director  
555 South 10th Street  
Suite 103  
Lincoln, Nebraska 68508

402-441-7411  
fax: 402-441-8325



MAYOR CHRIS BEUTLER

lincoln.ne.gov

February 24, 2010

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, 2009, 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 generally accepted accounting principles (GAAP) and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal, state and local financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. The federal government, under the revised OMB Circular A-133, requires local governments that expend \$500,000 or more in federal funds in any fiscal year to have a financial and compliance audit performed. As part of the City's Single Audit, tests were made of the City's internal control structure over compliance and its compliance with applicable laws and regulations, including those related to major federal financial assistance programs. The Single Audit for the year ended August 31, 2009, 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, 2009, 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 251,000, 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 Lots, Parking Facilities, 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. Separately audited financial statements are available for LES, Lincoln Water System, Lincoln Wastewater System, Emergency Medical Services, Solid Waste Management, Parking Facilities, and the Community Health Permanent Endowment Trust.

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 79.51 percent since 1960. Lancaster County's rate of growth between 2000 and 2008 has been 10.88 percent

or approximately 1.3 percent per year. The 2008 population of Lancaster County has been estimated to be in excess of 278,000 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, 2009 was 4.3%, well below the national average of 9.7%, with employment strongest in the categories of government, educational & health services, and retail trade. Lincoln's current number of construction permits is down 39% when compared to levels 5 years ago, with a corresponding decrease in the value of construction permits of over \$276 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 decreased \$1,014,536 or 1.8% from the previous fiscal year. This primary revenue source has been impacted by negative economic factors that have affected the local and national economies.

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

#### **Urban Development**

The City anticipates approximately \$19.5 million of public expenditures funded through various urban development projects and programs over the next three years. These projects are varied in type and size and are located in the Downtown and Haymarket areas, North 27<sup>th</sup> Street area, Havelock and University Place business areas, Focus Area neighborhoods, the South Capitol blight area, the Antelope Valley project area, West O, North 56<sup>th</sup> and Arbor Road, 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) and American Recovery and Reinvestment Act (ARRA) 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) Catalyst One site.
  - 2) Former Douglas III/Civic Plaza site.
  - 3) West Haymarket Arena/Hotel project.
  - 4) North Haymarket Arts and Humanities Block.
  - 5) Block 85.
- North 27<sup>th</sup> Street redevelopment efforts are focusing on the acquisition of blighted properties and assembly for redevelopment.
- Antelope Valley Redevelopment Projects:
  - 1) Plaza Parkway Triangle, phase 1 – Assurity project site.
  - 2) 19th & K - WJS project site.
  - 3) 10<sup>th</sup> & Military – Creekside Village
  - 4) 23<sup>rd</sup> & P – Antelope Creek Village



- Havelock Redevelopment on-going projects include streetscape improvements, commercial building facade improvements and public parking lot improvements.
- University Place redevelopment of the former Green's Plumbing site.
- West O Street redevelopment projects.
- North 56<sup>th</sup> and Arbor Road redevelopment.
- NW Corridor redevelopment (West Cornhusker Highway).
- Innovation Campus redevelopment.
- 84<sup>th</sup> and Havelock redevelopment.
- South Capital redevelopment.
- Focus area projects yet to be determined in Malone and South Capitol
- 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 Division major acquisition and negotiation projects.
  - 1) For effective transportation:
 

<ul style="list-style-type: none"> <li>✓ Antelope Valley transportation and relocation projects.</li> <li>✓ Antelope Valley redevelopment plan catalyst projects.</li> <li>✓ West Haymarket area redevelopment.</li> <li>✓ 98<sup>th</sup> Street, Yankee Hill to Pine Lake Rd.</li> <li>✓ Alvo Road, NW 20<sup>th</sup> to 1<sup>st</sup> Street.</li> <li>✓ Yankee Hill Roadway, 70<sup>th</sup> to 84<sup>th</sup> Street.</li> <li>✓ SW 40<sup>th</sup> Street overpass.</li> <li>✓ 14<sup>th</sup> Street, Superior to Alvo Road.</li> </ul>	<ul style="list-style-type: none"> <li>✓ 56<sup>th</sup> Street, Old Cheney to Pine Lake Rd.</li> <li>✓ Old Cheney Road, 70<sup>th</sup> to 84<sup>th</sup> Street.</li> <li>✓ Pine Lake Road, 59<sup>th</sup> to Hwy 2.</li> <li>✓ RTSD Quiet Zone project.</li> <li>✓ East Beltway preliminary acquisitions.</li> <li>✓ South Beltway preliminary acquisitions.</li> <li>✓ Arterial rehab, executive order, traffic signal, and Federal Infrastructure Stimulus funded projects.</li> </ul>
---	---
  - 2) For environmental quality:
 

<ul style="list-style-type: none"> <li>✓ Park sites city-wide.</li> <li>✓ Antelope Valley storm water projects.</li> <li>✓ Stevens Creek sanitary sewer Phase III.</li> <li>✓ Yankee Hill water main, 56<sup>th</sup> to 84<sup>th</sup> Street.</li> <li>✓ 98<sup>th</sup> Street water main, Holdrege to Alvo.</li> </ul>	<ul style="list-style-type: none"> <li>✓ 56<sup>th</sup> &amp; Arbor Rd sewer and water district projects</li> <li>✓ Conservation easements and wetlands acquisitions</li> <li>✓ Additional projects made possible by Federal Infrastructure Stimulus funds.</li> </ul>
---	---
- The Workforce Investment Act (WIA) is federal legislation which took effect on July 1, 2000. Under this legislation, the Mayor of Lincoln is the designated Chief Elected Official working in conjunction with a forty-seven member Workforce Investment Board. This Board is constituted by law with a business majority. Other members represent community-based organizations, education, economic development, organized labor, and program partner agencies. The Board and the Mayor developed a local Plan to implement WIA that was approved by the State of Nebraska. This Plan serves as the funding document for receipt of Federal WIA funds including ARRA funds, which totaled approximately \$1.9 million in 2009.

Workforce Investment Act services will continue to be provided from the One Stop Career Center, located in downtown Lincoln. It is anticipated that 20,000+ individuals and 500 employers will use One Stop Services. Workforce services are available directly from Urban Development, Operation ABLE, Nebraska Workforce Development, Goodwill, Vocational Rehabilitation and Experience Works staff members.

WIA funds will continue to be used to improve the employment skills of low-income adults and youth, and to assist individuals laid off from area employers to re-enter the labor force. WIA funds will be used to assist these individuals to improve basic skills, complete secondary and post-secondary education, gain work experience, and to obtain and retain employment. The majority of training will be in occupations that meet the requirements of high demand, high wage, and high skills.

Additional partnerships will be developed with organizations that provide services to youth. The goal of these partnerships is to increase the number of youth receiving WIA assistance which now includes a summer youth employment program. Over 200 youth participated in the 2009 summer program. Recruitment efforts will continue in the Area of Substantial Unemployment in the city. An expanded job search assistance service will be provided to individuals that are unemployed due to a layoff or business closing. The One Stop will continue to assist employers with job listing and recruiting.

The City is administering a \$250,000 Regional Innovation Grant to develop a strategic regional plan addressing present and future economic dislocation events in Lancaster, Saunders, Fillmore, Gage, Johnson, Nemaha, Otoe, Pawnee, Richardson, Saline, Seward, and York counties. The goal of the project is to shorten or eliminate the time from worker dislocation to re-employment.

#### West Haymarket Project

The West Haymarket Redevelopment Project encompasses an area of approximately 150 acres on the western edge of Downtown Lincoln. The project involves the relocation and elimination of existing railroad tracks and completion of other site preparation activities. The project's program statement generally calls for 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 projected to be in the range of \$350 – \$450 million with funding coming from both private and public sources. Private funding will be in the form of developer capital and community donations. Public revenues will likely be drawn from a wide variety of sources including tax increment financing; State Turn Back Tax revenues; arena generated funds; lodging fees; various occupation taxes; and other miscellaneous fees and sources.

#### 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 will be substantially 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) near Devaney Center; channel work between Salt Creek and R Street; the BNSF railroad bridge project over Antelope Creek; landscaping work on the Military, Y Street, Vine Street, Vine to Y, and Big T roadway projects and the BNSF overpass project; roadway construction between Vine and Y streets; and the J, P, Q, and O Street bridges and roadways.

Work on the East Leg Bridge and Roadway project, which is a BNSF railroad overpass on the east-west roadway along the south side of State Fair Park, was substantially completed in 2009. Work on the north/south roadway between P and Vine streets began in 2009 and will be complete in 2010.

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 \$66,803,000 over the 6-year period of fiscal year 2009-10 through fiscal year 2014-15. Of that total, approximately \$42,069,000 will be financed by revenue bonds, approximately \$3,780,000 will be financed by impact fees, \$1,240,000 from TIF funding, approximately \$484,000 will come from developer contributions, with the remaining \$19,230,000 to come from utility revenue fees. The majority of these dollars are needed for replacement and maintenance of existing infrastructure, new infrastructure to serve development in various basins throughout the City, and improvements to both the Theresa Street and Northeast treatment plants.

### Water System

The Lincoln Water System is projecting a capital improvements program in the amount of approximately \$93,330,000 over the 6-year period of fiscal year 2009-10 through 2014-15. Of these dollars, approximately \$74,250,000 will be financed through revenue bonds, approximately \$3,830,000 will be financed from TIF funding, approximately \$4,030,000 will be financed through impact fees, with the balance of \$11,220,000 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 2010-2015 Streets and Highways capital improvements program and Transportation improvement program identify average annual expenditures of over \$28.1 million for the next six years. Funding for these projects includes \$111 million in City revenues, \$27 million in federal aid, and \$30 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.

### Property Tax Collections

As of August 31, 2009, current tax collections by the County Treasurer were 96.83% of the tax levy, an increase of .17% from last year. Allocations of property tax levy by purpose are as follows:

<u>City Tax Levy By Purpose</u>	<u>2008-2009</u>	<u>2007-2008</u>	<u>2006-2007</u>
General Fund	.1806	.1778	.1687
Library	.0396	.0404	.0427
Social Security	.0129	.0134	.0135
Police and Fire Pension	.0201	.0203	.0208
General Obligation Debt	<u>.0347</u>	<u>.0360</u>	<u>.0376</u>
	<u>.2879</u>	<u>.2879</u>	<u>.2833</u>

## **Parking Facilities**

The City of Lincoln operates the following parking garages:

<u>Facility</u>	<u>Number of Stalls</u>	<u>Date Opened</u>
Center Park	1,048	November, 1978
Cornhusker Square	405	December, 1983
University Square	436	April, 1990
Que Place	773	October, 1994
Carriage Park	710	February, 1995
Market Place	433	August, 2000
Haymarket	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 both the 2001 Parking Revenue Bonds and the 1999 Parking Revenue and Refunding Bonds. Comparative data for the past two fiscal years are presented in the following table:

	<u>2008-2009</u>	<u>2007-2008</u>
Operating Revenues	\$ 6,614,715	6,642,460
Operating Income Before Depreciation	3,739,947	3,729,949
Debt Service	1,998,056	1,998,056
Debt Service Coverage Ratio	1.87	1.87

## **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, 2009, the City estimates that it will incur costs approximating \$16 million to adhere to such requirements (see Note 18 of Notes to the Financial Statements).

## **Water And Wastewater System**

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

<u>Wastewater System</u>	<u>2008-2009</u>	<u>2007-2008</u>
Operating Revenues	\$21,142,579	20,621,911
Operating Income	1,782,499	2,443,304
Revenue Available For Debt Service	10,871,979	10,954,243
Debt Service	6,440,044	6,445,454
Debt Service Coverage Ratio	1.69	1.70

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

<u>Water System</u>	<u>2008-2009</u>	<u>2007-2008</u>
Operating Revenues	\$25,692,203	24,049,039
Operating Income	3,769,225	2,696,281
Revenue Available For Debt Service	12,843,110	12,831,663
Debt Service	8,923,414	8,931,201
Debt Service Coverage Ratio	1.44	1.44

### **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, 2008, is included in the City's August 31, 2009, financial statements.

### **Certificate Of Achievement**

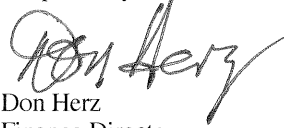
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lincoln, Nebraska, for its comprehensive annual financial report for the fiscal year ended August 31, 2008. This was the twenty-sixth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

### **Acknowledgments**

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Don Herz", written over a horizontal line.

Don Herz  
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, 2008

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.



A stylized, handwritten signature in black ink.

President

A stylized, handwritten signature in black ink.

Executive Director





## **FINANCIAL SECTION**

## Independent Accountants' Report on Financial Statements and Supplementary Information

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lincoln, Nebraska as of and for the year ended August 31, 2009, which collectively comprise the City of Lincoln's basic financial statements. 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%, 32% and 77%, 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, 2008, and in our report dated February 11, 2009, 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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund, street construction fund and federal grants fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis and the schedules of funding progress and employer contributions 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 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

/s/ **BKD, LLP**

February 24, 2010



## **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, 2009. 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, 2009, by \$1,508,997,184 (net assets). Of this amount, \$305,177,423 (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 \$59,789,506. Of this amount, \$33,210,202, or 56 percent, was an increase in governmental activities and \$26,579,304, or 44 percent, related to business-type activities.
- As of August 31, 2009, the City's governmental funds reported combined ending fund balances of \$190,767,075, a decrease of \$(4,055,706) in comparison with the prior year. Of this total fund balance, 58 percent, or \$111,143,275, is available for spending at the City's discretion (unreserved fund balance).
- As of August 31, 2009, unreserved fund balance for the general fund was \$27,586,521, or 28 percent of total general fund expenditures.
- The City's total bonded debt decreased by \$11,920,000 (1.3 percent) during the current fiscal year. The City issued \$15,420,000 in Water Revenue bonds in the current year for capital improvements to the water system.

### **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, 2009. 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-seven 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 Federal Grants 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, Street Construction, and Federal Grants major funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 18-25 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, 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 26-28 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 29-30 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 31-69 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 70 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 \$1,508,997,184 at August 31, 2009.

By far the largest portion of the City’s net assets (70 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, 2009 and 2008**

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and Other Assets	\$ 388,695,310	379,081,647	242,568,924	258,810,179	631,264,234	637,891,826
Capital Assets	614,765,299	598,864,306	1,410,398,966	1,379,907,263	2,025,164,265	1,978,771,569
Total Assets	<u>1,003,460,609</u>	<u>977,945,953</u>	<u>1,652,967,890</u>	<u>1,638,717,442</u>	<u>2,656,428,499</u>	<u>2,616,663,395</u>
Long-Term Liabilities Outstanding	194,364,099	196,689,161	795,328,460	805,068,287	989,692,559	1,001,757,448
Other Liabilities	14,957,978	20,328,462	142,780,778	145,369,807	157,738,756	165,698,269
Total Liabilities	<u>209,322,077</u>	<u>217,017,623</u>	<u>938,109,238</u>	<u>950,438,094</u>	<u>1,147,431,315</u>	<u>1,167,455,717</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	471,161,398	460,113,747	583,202,962	570,458,163	1,054,364,360	1,030,571,910
Restricted	111,672,739	111,555,338	37,782,662	35,665,851	149,455,401	147,221,189
Unrestricted	211,304,395	189,259,245	93,873,028	82,155,334	305,177,423	271,414,579
Total Net Assets	<u>\$ 794,138,532</u>	<u>760,928,330</u>	<u>714,858,652</u>	<u>688,279,348</u>	<u>1,508,997,184</u>	<u>1,449,207,678</u>

An additional portion of the City’s net assets (10 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, 2009, 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, 2009 and 2008**

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues:						
Charges for Services	\$ 41,844,680	44,757,932	315,614,846	291,083,622	357,459,526	335,841,554
Operating Grants and Contributions	50,412,504	52,058,209	-	26,000	50,412,504	52,084,209
Capital Grants and Contributions	25,746,780	39,507,199	11,025,070	10,809,320	36,771,850	50,316,519
General Revenues:						
Property Tax	49,370,031	48,016,158	-	-	49,370,031	48,016,158
Sales and Use Tax	54,337,312	55,351,848	-	-	54,337,312	55,351,848
Other Taxes	25,609,164	24,845,802	1,978,659	2,134,549	27,587,823	26,980,351
Unrestricted Grants and Contributions	1,542,816	1,569,021	-	-	1,542,816	1,569,021
Unrestricted Investment Earnings	5,181,996	6,738,206	4,680,958	8,761,713	9,862,954	15,499,919
Other	844,591	820,587	152,522	135,278	997,113	955,865
Total Revenues	254,889,874	273,664,962	333,452,055	312,950,482	588,341,929	586,615,444
Expenses:						
General Government	31,985,923	32,808,482	-	-	31,985,923	32,808,482
Public Safety	75,077,334	72,715,593	-	-	75,077,334	72,715,593
Streets and Highways	31,465,735	29,132,813	-	-	31,465,735	29,132,813
Culture and Recreation	28,998,338	27,971,636	-	-	28,998,338	27,971,636
Economic Opportunity	14,851,021	16,355,833	-	-	14,851,021	16,355,833
Health and Welfare	19,592,758	20,674,538	-	-	19,592,758	20,674,538
Mass Transit	11,059,139	11,296,888	-	-	11,059,139	11,296,888
Equipment Management	2,562,842	2,563,466	-	-	2,562,842	2,563,466
Engineering Services	1,859,008	2,029,134	-	-	1,859,008	2,029,134
Interest on Long-Term Debt	6,503,466	6,473,960	-	-	6,503,466	6,473,960
Parking	-	-	5,007,885	4,908,537	5,007,885	4,908,537
Golf Courses	-	-	3,170,423	3,152,455	3,170,423	3,152,455
Auditorium	-	-	1,937,132	2,041,953	1,937,132	2,041,953
Solid Waste Management	-	-	6,543,805	7,506,257	6,543,805	7,506,257
Ambulance Transport	-	-	3,687,450	3,711,546	3,687,450	3,711,546
Wastewater	-	-	22,979,974	18,965,453	22,979,974	18,965,453
Water	-	-	23,794,190	23,378,936	23,794,190	23,378,936
Electric	-	-	237,476,000	224,594,000	237,476,000	224,594,000
Total Expenses	223,955,564	222,022,343	304,596,859	288,259,137	528,552,423	510,281,480
Increase in Net Assets Before Transfers	30,934,310	51,642,619	28,855,196	24,691,345	59,789,506	76,333,964
Transfers	2,275,892	2,675,305	(2,275,892)	(2,675,305)	-	-
Increase in Net Assets	33,210,202	54,317,924	26,579,304	22,016,040	59,789,506	76,333,964
Net Assets - Beginning	760,928,330	706,610,406	688,279,348	666,263,308	1,449,207,678	1,372,873,714
Net Assets - Ending	\$ 794,138,532	760,928,330	714,858,652	688,279,348	1,508,997,184	1,449,207,678

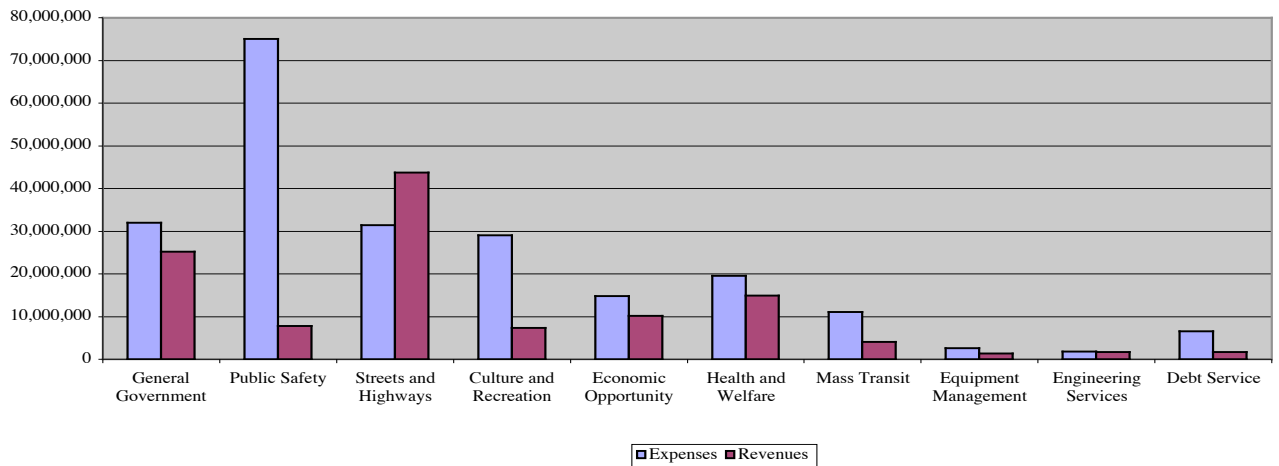
**GOVERNMENTAL ACTIVITIES**

Governmental activities increased the City's net assets by \$33,210,202, accounting for 56 percent of the total growth in the net assets of the City of Lincoln. Key elements of this increase are as follows:

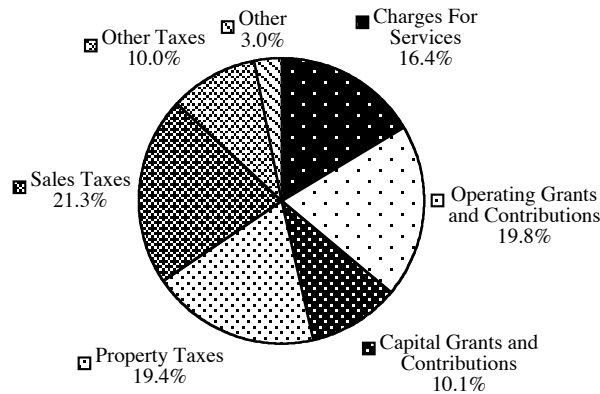
- The City's current year contribution to the Joint Antelope Valley Authority amounted to \$22,069,965, of which a significant portion is federally funded.
- Property taxes increased by approximately \$1.3 million (2.8 percent) during 2009. Total growth in the tax base, which includes revaluations, annexations and other adjustments, was 1.80 percent.



### Expenses and Program Revenues - Governmental Activities



### Revenues By Source - Governmental Activities



### BUSINESS-TYPE ACTIVITIES

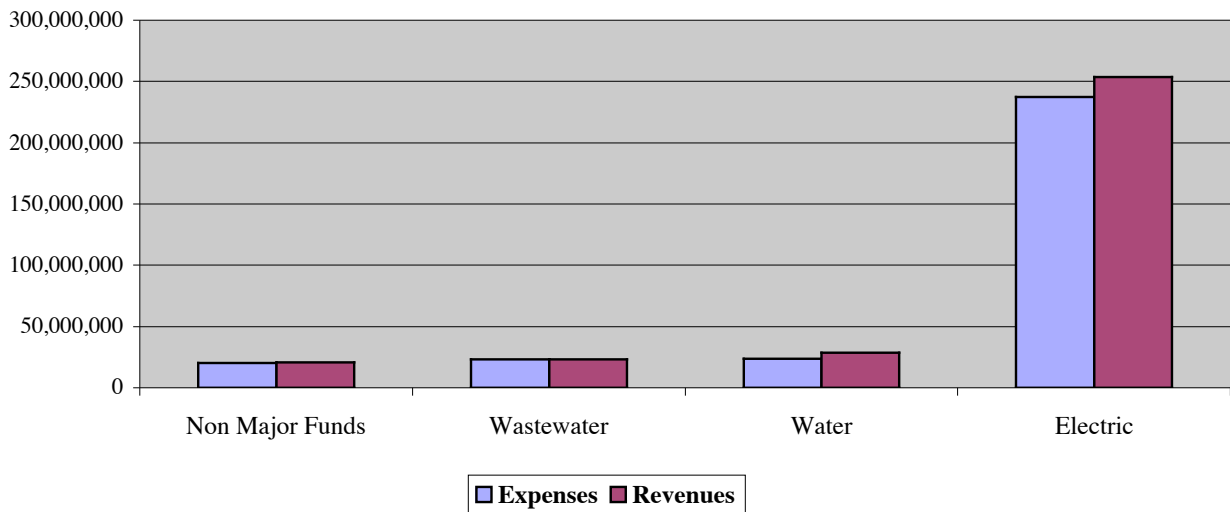
Business-type activities increased the City's net assets by \$26,579,304, accounting for 44 percent of the total growth in the government's net assets. Key elements of this increase are as follows:

- Charges for services increased by approximately \$24.5 million, or 8 percent. Water and Wastewater revenues increased \$1.6 million (6.8%) and \$.5 million (2.5%), respectively, primarily due to an increase of 3 percent in user fees implemented in February 2009.

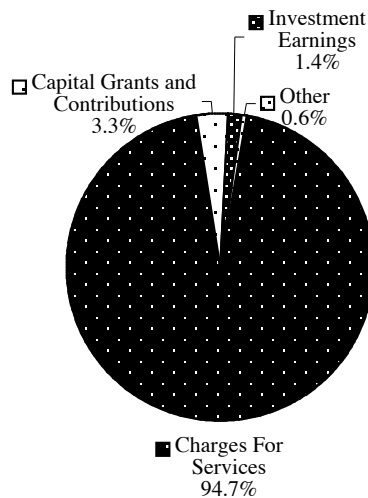
Lincoln Electric System operating revenue in 2008 was 10% higher than 2007 due to retail rate increases of 5.0% in March, 2008 and 9.1% on September 1, 2008, while retail energy sales remained flat. Wholesale revenue was higher from the firm sale of power from Walter Scott #4 generating station.

- LES recorded capital contributions of \$5.7 million.
- Lincoln Water and Wastewater Systems reported developer capital contributions of approximately \$3.3 million and \$2.1 million respectively.
- Lincoln Water and Wastewater Systems reported losses in nonoperating activities due to declining interest income and rates on investments, as well as declining capital investment resulting in reduced capitalized interest in 2009.

#### 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, 2009, the City's governmental funds reported combined ending fund balances of \$190,767,075, a decrease of \$(4,055,706) in comparison with the prior year. Of this total amount, 58 percent constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to:

- long-term loans receivable (\$19,637,000),
- pay debt service (\$16,055,872),
- generate income for the purpose of funding health and health-related programs for the citizens of Lincoln (\$37,000,000), and
- a variety of other restricted purposes (\$6,930,928).

The General Fund is the chief operating fund of the City. At August 31, 2009, the unreserved fund balance of the General Fund was \$27,586,521, while total fund balance reached \$32,255,223. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 28 percent of total general fund expenditures, while total fund balance represents 33 percent of that same amount.

The fund balance of the City's General Fund decreased by \$(223,557) during 2009. For the current fiscal year, appropriated General fund balance, used as a funding source for the budget increased \$284,618. 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 \$28,388,503, which is to be used in the construction and maintenance of street and highways. The net decrease in fund balance during 2009 in the Street Construction Fund was \$(1,749,329), as is expected as the City spends down bond proceeds on current projects.

The Federal Grants Fund had a fund balance of \$21,163,792, a net increase of \$1,811,440. Expenditures and revenues in the fund decreased by \$2,801,148 (12 percent) and \$3,143,976 (13 percent), respectively. Net transfers into the fund were \$1,789,304, an increase over the prior year of \$1,360,458. A significant portion of this increase related to the transfer of tax increment financing funds that were used along with federal funds and other donations in the construction of the North 27<sup>th</sup> Street Pedestrian Bridge.

### **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 \$5,424,150, \$10,247,629, \$77,576,000 and \$6,415,740, respectively, at August 31, 2009 (December 31, 2008 for LES). Factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original budget and the final amended budget were relatively minor (increase of \$60,846 in appropriations) and can be briefly summarized as follows:

- \$(630,722) in miscellaneous changes in general government activities.
- \$360,386 in increases allocated to public safety.
- \$42,500 in increases allocated to street maintenance.
- \$91,759 in increases allocated to parks and recreation.
- \$196,923 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:

- \$3,451,077 positive variance in real estate and personal property tax. Actual property collections were 96.83% of the 2008 levy, while estimated tax revenue is based on 90% collections as provided by the City Charter.
- \$(2,709,458) negative variance in taxes collected by others. Current year sales tax collections have been impacted by the national economy and also an increase in refunds over the prior year.
- \$2,270,001 positive variance in miscellaneous general government expenditures. Significant savings were realized in several service line items that are reappropriated to cover ongoing future expenditures.
- \$(1,347,513) 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, 2009, amounts to \$2,025,164,265 (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 2009 was 2.3 percent (a 2.7 percent increase for governmental activities and a 2.2 percent increase for business-type activities).

Major capital asset events during 2009 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, 2009 reached \$82,682,000
- Continued major electric plant construction including the transmission, substation and distribution system which totaled over \$45.6 million in 2008.
- Wastewater System capital assets increased by approximately \$518,000 (.21 percent). Major project additions included:
  - ✓ Trunk sewer improvement mains – \$4,273,000
- Water System capital assets increased by approximately \$12,516,000 (4 percent) due to major project additions such as:
  - ✓ Water transmission pump station & mains - \$7,915,000
  - ✓ Water distribution mains - \$1,820,000
  - ✓ Water treatment plan - \$2,716,000

**City Of Lincoln**  
**Capital Assets (net of depreciation)**  
**August 31, 2009 and 2008**

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 65,038,172	62,978,764	21,691,556	21,004,520	86,729,728	83,983,284
Buildings	45,508,199	47,552,703	154,374,821	157,688,117	199,883,020	205,240,820
Improvements Other Than Buildings	36,850,167	38,298,396	388,022,172	375,660,608	424,872,339	413,959,004
Machinery and Equipment	31,042,569	33,551,718	11,321,850	10,810,069	42,364,419	44,361,787
Utility Plant	-	-	729,402,000	736,632,000	729,402,000	736,632,000
Infrastructure	347,255,342	316,365,857	-	-	347,255,342	316,365,857
Construction-in-progress	89,070,850	100,116,868	105,586,567	78,111,949	194,657,417	178,228,817
Total	\$ 614,765,299	598,864,306	1,410,398,966	1,379,907,263	2,025,164,265	1,978,771,569

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

**LONG-TERM DEBT**

At August 31, 2009, the City of Lincoln had total bonded debt outstanding of \$905,836,000. Of this amount, \$132,446,000 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, 2009 and 2008**  
(dollar amounts in thousands)

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
General Obligation Bonds	\$ 125,181	128,581	-	-	125,181	128,581
Tax Supported Bonds	7,265	7,900	-	-	7,265	7,900
Revenue Bonds	-	-	773,390	781,275	773,390	781,275
Total	\$ 132,446	136,481	773,390	781,275	905,836	917,756

The City's total bonded debt decreased by \$11,920,000 (1.3 percent) during the current fiscal year. The City issued \$15,420,000 in Water Revenue bonds in the current year for capital improvements to the water system.

The City maintains the following credit ratings:

	Moody's Investors <u>Service</u>	Standard And <u>Poor's</u>	Fitch Investors <u>Service</u>
General Obligation Bonds	Aaa	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	A2	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 51-55 of this report.

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

- Property tax revenue required to fund the 2010 budget decreased \$489,992 or (1.19) percent from the prior year. Total change in the tax base is also estimated at (1.19) percent, therefore the tax rate for 2010 remains the same as 2009.
- 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 cost increases would need to be covered by additional property tax revenue or the levels of service provided would need to be reduced. Fee adjustments in 2010 include an increase in the telecommunications occupation tax rate from 5.5% to 6.0%, and the natural gas franchise fee is increased by 10% as allowed in the franchise agreement.
- Sales tax collections for 2009 finished 4.76 percent behind projections. 2010 projections reflect a 2.5 percent increase over 2009 actual collections.
- Re-bidding the City's self-insured health care plan and amortizing fund balances accumulated through positive claims experience allows for a 10% rate decrease resulting in nearly a \$1.6 million savings in all funds for 2010.
- Fuel budgets throughout City departments are reduced \$2.3 million due to the drop in fuel prices from their record high during the summer of 2008.
- A 5 percent water rate increase and a 4 percent wastewater rate increase were adopted by the City Council and are effective January 2010.
- A hiring freeze and a retirement incentive package have been utilized to create vacant positions, eliminate positions, encourage reorganizations and make budget reductions while at the same time minimizing the number of layoffs. As a result, the net change for all funds is a decrease of 22.94 full-time equivalents for the 2010 budget.

All of these factors were considered in preparing the City's budget for the 2010 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 10<sup>th</sup> Street, Lincoln, NE 68508.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF LINCOLN, NEBRASKA**  
**STATEMENT OF NET ASSETS**  
**AUGUST 31, 2009**  
With Summarized Financial Information as of August 31, 2008

	Governmental Activities	Business-Type Activities	Totals	
			2009	2008
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 44,478,663	55,163,313	99,641,976	85,518,279
Investments	98,376,503	12,103,653	110,480,156	117,681,592
Invested Securities Lending Collateral	1,020,557	-	1,020,557	4,065,673
Receivables, (Net of Allowance for Uncollectibles)	28,858,062	38,544,641	67,402,703	64,173,019
Internal Balances	(3,017,485)	3,017,485	-	-
Due from Other Governments	26,913,784	6,002	26,919,786	36,476,005
Inventories	2,040,676	15,608,190	17,648,866	19,051,889
Plant Operation Assets	-	12,387,000	12,387,000	9,859,000
Prepaid Items	585,111	1,470,638	2,055,749	1,981,413
Deferred Charges and Other Assets	2,471,382	17,901,005	20,372,387	13,368,432
Restricted Assets:				
Cash and Cash Equivalents	-	46,029,807	46,029,807	71,617,056
Investments	37,160,000	40,088,595	77,248,595	85,938,680
Receivables	-	248,595	248,595	422,696
Investment in Joint Venture	149,808,057	-	149,808,057	127,738,092
Capital Assets:				
Non-depreciable	154,109,022	127,278,123	281,387,145	262,212,101
Depreciable (Net)	460,656,277	1,283,120,843	1,743,777,120	1,716,559,468
Total Assets	1,003,460,609	1,652,967,890	2,656,428,499	2,616,663,395
<b>LIABILITIES</b>				
Accounts Payable	6,706,290	21,823,333	28,529,623	32,686,972
Accrued Liabilities	3,592,292	11,469,746	15,062,038	15,649,246
Due to Other Governments	949,787	123,082	1,072,869	1,100,607
Unearned Revenue	1,008,627	777,430	1,786,057	2,456,969
Obligations under Securities Lending	1,020,557	-	1,020,557	4,065,673
Other Liabilities	-	7,822,000	7,822,000	6,953,000
Commercial Paper Notes Payable	-	90,000,000	90,000,000	90,000,000
Accrued Interest Payable	1,680,425	10,765,187	12,445,612	12,785,802
Noncurrent Liabilities:				
Payable within One Year	22,350,342	31,143,441	53,493,783	50,263,887
Payable in More Than One Year	172,013,757	764,185,019	936,198,776	951,493,561
Total Liabilities	209,322,077	938,109,238	1,147,431,315	1,167,455,717
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	471,161,398	583,202,962	1,054,364,360	1,030,571,910
Restricted for:				
Debt Service, Net of Related Debt	3,108,169	29,305,291	32,413,460	33,263,693
Capital Projects	34,408,346	2,649,305	37,057,651	37,160,608
Grantor Loan Programs	19,637,000	-	19,637,000	17,927,000
Other	1,917,718	5,828,066	7,745,784	6,873,311
Trust Donations:				
Expendable	1,715,834	-	1,715,834	1,798,661
Nonexpendable	160,000	-	160,000	160,000
Health Care:				
Expendable	13,725,672	-	13,725,672	13,037,916
Nonexpendable	37,000,000	-	37,000,000	37,000,000
Unrestricted	211,304,395	93,873,028	305,177,423	271,414,579
Total Net Assets	\$ 794,138,532	714,858,652	1,508,997,184	1,449,207,678

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, 2009**  
With Summarized Financial Information for the Year Ended August 31, 2008

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals	
			Expenses					2009
Functions/Programs								
Governmental Activities:								
General Government	\$ (31,985,923)	20,413,769	3,582,323	1,193,381	(6,796,450)	-	(6,796,450)	(10,062,024)
Public Safety	(75,077,334)	4,921,077	2,826,531	-	(67,329,726)	-	(67,329,726)	(63,005,084)
Streets and Highways	(31,465,735)	3,202,082	17,647,283	22,892,011	12,275,641	-	12,275,641	30,488,982
Culture and Recreation	(28,998,338)	3,537,088	2,310,282	1,532,802	(21,618,166)	-	(21,618,166)	(21,055,650)
Economic Opportunity	(14,851,021)	750,883	9,412,747	-	(4,687,391)	-	(4,687,391)	(5,412,869)
Health and Welfare	(19,592,758)	4,345,410	10,591,849	-	(4,655,499)	-	(4,655,499)	(4,675,870)
Mass Transit	(11,059,139)	1,530,247	2,521,489	-	(7,007,403)	-	(7,007,403)	(6,925,308)
Equipment Management	(2,562,842)	1,377,287	-	-	(1,185,555)	-	(1,185,555)	(979,012)
Engineering Services	(1,859,008)	1,667,399	-	5,929	(185,680)	-	(185,680)	120,444
Interest on Long-Term Debt	(6,503,466)	99,438	1,520,000	122,657	(4,761,371)	-	(4,761,371)	(4,192,612)
Total Governmental Activities	(223,955,564)	41,844,680	50,412,504	25,746,780	(105,951,600)	-	(105,951,600)	(85,699,003)
Business-Type Activities:								
Parking Lots	(297,452)	425,549	-	-	-	128,097	128,097	138,086
Golf	(3,170,423)	3,123,544	-	-	-	(46,879)	(46,879)	(234,676)
Parking Facilities	(4,710,433)	6,610,282	-	-	-	1,899,849	1,899,849	1,946,878
Municipal Auditorium	(1,937,132)	1,185,656	-	-	-	(751,476)	(751,476)	(599,048)
Solid Waste Management	(6,543,805)	5,123,772	-	-	-	(1,420,033)	(1,420,033)	(1,634,019)
Emergency Medical Services	(3,687,450)	4,317,445	-	-	-	629,995	629,995	328,121
Wastewater System	(22,979,974)	21,111,385	-	2,057,734	-	189,145	189,145	4,154,957
Water System	(23,794,190)	25,586,213	-	3,274,336	-	5,066,359	5,066,359	3,586,506
Electric System	(237,476,000)	248,131,000	-	5,693,000	-	16,348,000	16,348,000	5,973,000
Total Business-Type Activities	(304,596,859)	315,614,846	-	11,025,070	-	22,043,057	22,043,057	13,659,805
Total	<u>\$ (528,552,423)</u>	<u>357,459,526</u>	<u>50,412,504</u>	<u>36,771,850</u>	<u>(105,951,600)</u>	<u>22,043,057</u>	<u>(83,908,543)</u>	<u>(72,039,198)</u>
General Revenues:								
Property Tax					49,370,031	-	49,370,031	48,016,158
Motor Vehicle Tax					4,323,350	-	4,323,350	4,303,363
Wheel Tax					10,697,955	-	10,697,955	10,458,568
Sales and Use Tax					54,337,312	-	54,337,312	55,351,848
Sundry and In Lieu Tax					46,078	-	46,078	45,761
Occupation Tax					10,541,781	1,978,659	12,520,440	12,172,659
Unrestricted Grants and Contributions					1,542,816	-	1,542,816	1,569,021
Unrestricted Investment Earnings					5,181,996	4,680,958	9,862,954	15,499,919
Miscellaneous General Revenues					844,591	152,522	997,113	955,865
Transfers					2,275,892	(2,275,892)	-	-
Total General Revenues and Transfers					139,161,802	4,536,247	143,698,049	148,373,162
Change in Net Assets					33,210,202	26,579,304	59,789,506	76,333,964
Net Assets - Beginning					760,928,330	688,279,348	1,449,207,678	1,372,873,714
Net Assets - Ending					\$ 794,138,532	714,858,652	1,508,997,184	1,449,207,678

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

**CITY OF LINCOLN, NEBRASKA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**AUGUST 31, 2009**

	General Fund	Street Construction Fund	Federal Grants Fund	Other Governmental Funds	Total
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 7,423,569	5,970,467	1,523,598	21,681,972	36,599,606
Investments	11,287,172	14,329,024	-	89,948,799	115,564,995
Invested Securities Lending Collateral	-	-	-	1,020,557	1,020,557
Receivables, (Net of Allowance for Uncollectibles)	3,919,343	335,946	19,653,946	4,442,582	28,351,817
Due from Other Funds	2,392,460	7,969,711	81,325	4,733,022	15,176,518
Due from Other Governments	9,890,715	13,336,182	1,843,251	1,718,949	26,789,097
Inventories	529,043	55,869	-	796,416	1,381,328
Assets Held for Resale	-	-	-	1,100,000	1,100,000
Prepaid Items	10,124,237	-	-	-	10,124,237
Total Assets	<u>45,566,539</u>	<u>41,997,199</u>	<u>23,102,120</u>	<u>125,442,297</u>	<u>236,108,155</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts Payable	535,926	3,057,735	750,608	1,391,815	5,736,084
Contracts Payable	-	541,260	-	202,445	743,705
Accrued Liabilities	1,750,829	108,220	285,808	1,061,717	3,206,574
Due to Other Funds	9,961,292	16,522	11,140	9,554,055	19,543,009
Due to Other Governments	38,940	479,898	186,640	86,777	792,255
Unearned Revenue	-	-	-	879,073	879,073
Obligations under Securities Lending	-	-	-	1,020,557	1,020,557
Deferred Revenue	1,024,329	9,405,061	704,132	2,286,301	13,419,823
Total Liabilities	<u>13,311,316</u>	<u>13,608,696</u>	<u>1,938,328</u>	<u>16,482,740</u>	<u>45,341,080</u>
Fund Balances:					
Reserved for:					
Inventories	529,043	55,869	-	796,416	1,381,328
Prepaid Items	325,985	-	-	-	325,985
Improvements	2,995,956	-	-	149,941	3,145,897
Resale of Assets	-	-	-	1,100,000	1,100,000
Grantor Loan Programs	-	-	19,637,000	-	19,637,000
Restricted Funds	817,718	-	-	-	817,718
Debt Service	-	-	-	16,055,872	16,055,872
Trust Donations (nonexpendable)	-	-	-	160,000	160,000
Health Care (nonexpendable)	-	-	-	37,000,000	37,000,000
Unreserved, Reported in:					
General Fund:					
Designated for Debt Service	378,783	-	-	-	378,783
Designated for Subsequent Years Expenditures	3,262,112	-	-	-	3,262,112
Designated for Encumbrances	938,258	-	-	-	938,258
Undesignated	23,007,368	-	-	-	23,007,368
Special Revenue Funds:					
Designated for Subsequent Years Expenditures	-	37,698	-	1,781,285	1,818,983
Designated for Encumbrances	-	3,511,504	976,280	219,734	4,707,518
Undesignated	-	24,783,432	550,512	27,696,795	53,030,739
Capital Projects Funds:					
Designated for Encumbrances	-	-	-	1,691,482	1,691,482
Undesignated	-	-	-	8,161,855	8,161,855
Permanent Funds:					
Designated for Contingencies	-	-	-	865,000	865,000
Undesignated	-	-	-	13,281,177	13,281,177
Total Fund Balances	<u>32,255,223</u>	<u>28,388,503</u>	<u>21,163,792</u>	<u>108,959,557</u>	<u>190,767,075</u>
Total Liabilities and Fund Balances	<u>\$ 45,566,539</u>	<u>41,997,199</u>	<u>23,102,120</u>	<u>125,442,297</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	595,497,261
Investment in joint venture is not a financial resource and, therefore, is not reported in the funds.	149,808,057
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	13,419,823
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.	29,282,074
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.	(5,231,757)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(179,404,001)
Net assets of governmental activities	<u>\$ 794,138,532</u>

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

**CITY OF LINCOLN, NEBRASKA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2009**

	General Fund	Street Construction Fund	Federal Grants Fund	Other Governmental Funds	Total
<b>REVENUES</b>					
Taxes:					
Property	\$ 29,735,619	-	-	19,623,993	49,359,612
Motor Vehicle	4,323,350	-	-	-	4,323,350
Wheel	-	-	-	10,697,955	10,697,955
Sales and Use	54,337,312	-	-	-	54,337,312
Sundry and In Lieu	31,077	-	-	13,402	44,479
Occupation	10,541,781	-	-	-	10,541,781
Special Assessment	2,597	-	-	1,053,330	1,055,927
Intergovernmental	3,328,425	43,879,218	18,267,321	9,625,009	75,099,973
Permits and Fees	3,410,588	2,416,579	1,217,837	10,073,998	17,119,002
Reimbursement for Services	4,751,119	9,418	460,242	1,379,520	6,600,299
Program Income	-	-	57,535	-	57,535
Investment Earnings	794,758	627,193	17,932	4,351,508	5,791,391
Donations	572,060	50	343,504	1,839,551	2,755,165
Keno Proceeds	-	-	-	3,140,726	3,140,726
Miscellaneous	505,728	92,174	2,930	1,263,757	1,864,589
Total Revenues	<u>112,334,414</u>	<u>47,024,632</u>	<u>20,367,301</u>	<u>63,062,749</u>	<u>242,789,096</u>
<b>EXPENDITURES</b>					
Current:					
General Government	26,043,858	-	333,903	8,050,716	34,428,477
Public Safety	52,744,057	-	2,842,745	8,397,682	63,984,484
Streets and Highways	7,209,731	6,591,494	114,709	2,529,370	16,445,304
Culture and Recreation	11,282,155	-	2,875,672	8,291,742	22,449,569
Economic Opportunity	210,320	-	7,135,326	3,975,596	11,321,242
Health and Welfare	213,431	-	6,882,791	13,253,535	20,349,757
Mass Transit	-	-	160,019	9,415,651	9,575,670
Debt Service	45,723	-	-	16,944,382	16,990,105
Capital Outlay	-	46,257,948	-	14,836,253	61,094,201
Total Expenditures	<u>97,749,275</u>	<u>52,849,442</u>	<u>20,345,165</u>	<u>85,694,927</u>	<u>256,638,809</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>14,585,139</u>	<u>(5,824,810)</u>	<u>22,136</u>	<u>(22,632,178)</u>	<u>(13,849,713)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	3,937,714	10,307,913	2,104,539	37,194,766	53,544,932
Transfers Out	(21,354,086)	(6,232,432)	(315,235)	(23,103,709)	(51,005,462)
Issuance of Debt	2,500,000	-	-	4,001,393	6,501,393
Premium on Debt Issued	25,473	-	-	-	25,473
Sale of Capital Assets	82,203	-	-	645,468	727,671
Total Other Financing Sources (Uses)	<u>(14,808,696)</u>	<u>4,075,481</u>	<u>1,789,304</u>	<u>18,737,918</u>	<u>9,794,007</u>
Net Change in Fund Balances	(223,557)	(1,749,329)	1,811,440	(3,894,260)	(4,055,706)
Fund Balances - Beginning	<u>32,478,780</u>	<u>30,137,832</u>	<u>19,352,352</u>	<u>112,853,817</u>	<u>194,822,781</u>
Fund Balances - Ending	<u>\$ 32,255,223</u>	<u>28,388,503</u>	<u>21,163,792</u>	<u>108,959,557</u>	<u>190,767,075</u>

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

**CITY OF LINCOLN, NEBRASKA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED AUGUST 31, 2009**

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

Net change in fund balances - total governmental funds	\$ (4,055,706)
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.	14,061,193
The net effect of various miscellaneous transactions involving capital contributions is to increase net assets.	5,712,574
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds; change in revenues in fund statements previously recognized in the statement of activities.	(8,839,359)
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.	4,571,173
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(1,715,276)
Changes in the net pension asset/obligation and the net OPEB asset/obligation do not represent financial activity in governmental funds.	90,534
Changes in the interest in the underlying net assets of the joint venture do not represent financial activity in governmental funds.	22,069,965
Internal service funds are used by management to charge the costs of certain services to individual funds. The net revenue of the internal service funds is reported within governmental activities.	<u>1,315,104</u>
Change in net assets of governmental activities	<u>\$ 33,210,202</u>

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

**CITY OF LINCOLN, NEBRASKA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)**  
**FOR THE YEAR ENDED AUGUST 31, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
<b>Revenues:</b>				
Real Estate and Personal Property Tax	\$ 31,696,063	31,696,063	35,147,140	3,451,077
Taxes Collected by Others	56,964,834	56,964,834	54,255,376	(2,709,458)
Sundry Taxes and In Lieu	27,178	27,178	29,895	2,717
Occupation Taxes	9,978,214	9,978,214	10,356,508	378,294
Intergovernmental	3,411,173	3,411,173	3,112,637	(298,536)
Permits and Fees	2,885,319	2,885,319	2,709,262	(176,057)
Reimbursement for Services	2,461,349	2,461,349	2,495,467	34,118
Court Fees	565,750	565,750	581,113	15,363
Recreation Receipts	1,840,963	1,840,963	1,840,506	(457)
Investment Earnings	577,158	577,158	818,718	241,560
Donations	509,306	509,306	549,291	39,985
Rental Income	478,084	478,084	424,663	(53,421)
Miscellaneous	406,237	406,237	643,185	236,948
Total Revenues	<u>111,801,628</u>	<u>111,801,628</u>	<u>112,963,761</u>	<u>1,162,133</u>
<b>Expenditures:</b>				
General Government:				
Legislative	307,674	307,674	260,156	47,518
Executive	1,229,523	1,229,523	1,110,619	118,904
Financial Administration	2,376,751	2,376,751	2,300,899	75,852
Law	2,103,179	2,156,179	2,121,994	34,185
Personnel Administration	947,559	947,559	917,434	30,125
Planning and Zoning	1,865,795	1,865,795	1,802,376	63,419
Urban Development	756,768	856,768	728,660	128,108
Miscellaneous	19,871,278	19,087,556	16,817,555	2,270,001
Total General Government	<u>29,458,527</u>	<u>28,827,805</u>	<u>26,059,693</u>	<u>2,768,112</u>
Public Safety:				
Police	31,335,600	31,335,600	29,822,828	1,512,772
Fire	20,764,184	21,124,570	20,654,573	469,997
Traffic Engineering	1,579,234	1,579,234	1,529,444	49,790
Total Public Safety	<u>53,679,018</u>	<u>54,039,404</u>	<u>52,006,845</u>	<u>2,032,559</u>
Streets and Highways:				
Street Maintenance	2,329,295	2,371,795	2,193,221	178,574
Street Lighting	3,697,784	3,697,784	5,045,297	(1,347,513)
Total Streets and Highways	<u>6,027,079</u>	<u>6,069,579</u>	<u>7,238,518</u>	<u>(1,168,939)</u>
Culture and Recreation:				
Parks and Recreation	11,384,930	11,476,689	11,084,531	392,158
Libraries	179,894	179,894	179,894	-
Total Culture and Recreation	<u>11,564,824</u>	<u>11,656,583</u>	<u>11,264,425</u>	<u>392,158</u>
Economic Opportunity:				
Lincoln Area Agency on Aging	209,267	209,267	209,267	-
Health and Welfare:				
Lincoln/Lancaster County Health	211,666	211,666	211,666	-
Debt Service:				
Issuance and Management Costs	-	-	45,723	(45,723)
Total Expenditures	<u>101,150,381</u>	<u>101,014,304</u>	<u>97,036,137</u>	<u>3,978,167</u>
Excess of Revenues Over Expenditures	<u>10,651,247</u>	<u>10,787,324</u>	<u>15,927,624</u>	<u>5,140,300</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	3,299,837	3,299,837	3,951,729	651,892
Transfers Out	(21,310,986)	(21,507,909)	(21,269,938)	237,971
Proceeds from Issuance of Debt	2,500,000	2,500,000	2,500,000	-
Premium on Debt Issued	-	-	25,473	25,473
Sale of Capital Assets	102,880	102,880	83,163	(19,717)
Total Other Financing Sources (Uses)	<u>(15,408,269)</u>	<u>(15,605,192)</u>	<u>(14,709,573)</u>	<u>895,619</u>
Net Change in Fund Balances	(4,757,022)	(4,817,868)	1,218,051	6,035,919
Fund Balances - Beginning	<u>22,396,325</u>	<u>22,396,325</u>	<u>22,396,325</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 17,639,303</u>	<u>17,578,457</u>	<u>23,614,376</u>	<u>6,035,919</u>

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



**CITY OF LINCOLN, NEBRASKA**  
**STREET CONSTRUCTION FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)**  
**FOR THE YEAR ENDED AUGUST 31, 2009**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues:				
Intergovernmental	\$ 12,028,226	12,028,226	16,950,552	4,922,326
Permits and Fees	-	-	294,051	294,051
Reimbursement for Services	400,000	400,000	9,593	(390,407)
Investment Earnings	100,000	100,000	(18,771)	(118,771)
Miscellaneous	-	-	244	244
Total Revenues	<u>12,528,226</u>	<u>12,528,226</u>	<u>17,235,669</u>	<u>4,707,443</u>
Expenditures -- Streets and Highways:				
Personal Services	3,561,284	3,606,284	3,663,497	(57,213)
Materials and Supplies	614,722	614,722	536,741	77,981
Other Services and Charges	3,054,139	3,009,139	2,194,401	814,738
Capital Outlay	<u>43,258</u>	<u>43,258</u>	<u>28,322</u>	<u>14,936</u>
Total Expenditures	<u>7,273,403</u>	<u>7,273,403</u>	<u>6,422,961</u>	<u>850,442</u>
Excess of Revenues Over Expenditures	<u>5,254,823</u>	<u>5,254,823</u>	<u>10,812,708</u>	<u>5,557,885</u>
Other Financing Sources (Uses):				
Transfers In	10,321,707	10,321,707	10,321,707	-
Transfers Out	<u>(12,994,232)</u>	<u>(12,994,232)</u>	<u>(12,994,232)</u>	-
Total Other Financing Sources (Uses)	<u>(2,672,525)</u>	<u>(2,672,525)</u>	<u>(2,672,525)</u>	-
Net Change in Fund Balances	2,582,298	2,582,298	8,140,183	5,557,885
Amount Budgeted on Project Basis	(8,798,288)	(8,798,288)	(8,798,288)	-
Fund Balances - Beginning	<u>26,532,102</u>	<u>26,532,102</u>	<u>26,532,102</u>	-
Fund Balances - Ending	<u>\$ 20,316,112</u>	<u>20,316,112</u>	<u>25,873,997</u>	<u>5,557,885</u>

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

**CITY OF LINCOLN, NEBRASKA**  
**FEDERAL GRANTS FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)**  
**FOR THE YEAR ENDED AUGUST 31, 2009**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues:				
Intergovernmental	\$ 19,588,256	19,588,256	18,818,865	(769,391)
Permits and Fees	1,279,242	1,279,242	1,279,242	-
Reimbursement for Services	289,751	289,751	289,751	-
Client Contributions	150	150	150	-
Program Income	1,084,368	1,084,368	1,110,535	26,167
Recreation Receipts	79,841	79,841	79,841	-
Investment Earnings	21,571	21,571	21,712	141
Donations	336,660	336,660	336,660	-
Rental Income	92,433	92,433	84,691	(7,742)
Miscellaneous	2,812	2,812	2,812	-
Total Revenues	22,775,084	22,775,084	22,024,259	(750,825)
Expenditures:				
General Government:				
Materials and Supplies	2,149	2,149	2,149	-
Other Services and Charges	91,190	91,190	91,190	-
Capital Outlay	239,987	239,987	239,987	-
Total General Government	333,326	333,326	333,326	-
Public Safety:				
Personal Services	1,128,908	1,128,908	1,128,908	-
Materials and Supplies	161,967	161,967	161,967	-
Other Services and Charges	1,148,736	1,148,736	1,148,736	-
Capital Outlay	470,573	470,573	470,573	-
Total Public Safety	2,910,184	2,910,184	2,910,184	-
Streets and Highways:				
Materials and Supplies	18	18	18	-
Other Services And Charges	113,350	113,350	113,350	-
Total Streets And Highways	113,368	113,368	113,368	-
Culture and Recreation:				
Personal Services	694,891	694,891	694,891	-
Materials and Supplies	37,880	37,880	37,880	-
Other Services and Charges	280,989	280,989	280,989	-
Capital Outlay	2,203,593	2,203,593	2,203,593	-
Total Culture and Recreation	3,217,353	3,217,353	3,217,353	-
Economic Opportunity:				
Personal Services	4,347,582	4,359,538	4,435,187	(75,649)
Materials and Supplies	120,935	120,935	128,004	(7,069)
Other Services and Charges	2,345,341	2,400,814	1,895,212	505,602
Capital Outlay	111,624	978,239	179,951	798,288
Loans and Grants	3,412,086	4,136,184	2,847,237	1,288,947
Total Economic Opportunity	10,337,568	11,995,710	9,485,591	2,510,119

(Continued)



## (Federal Grants Fund, Continued)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Health and Welfare:				
Personal Services	3,831,396	3,831,396	3,831,396	-
Materials and Supplies	268,656	268,656	268,656	-
Other Services and Charges	3,004,716	3,004,716	3,004,716	-
Capital Outlay	48,981	48,981	48,981	-
Loans and Grants	40,090	40,090	40,090	-
Total Health and Welfare	<u>7,193,839</u>	<u>7,193,839</u>	<u>7,193,839</u>	<u>-</u>
Mass Transit:				
Personal Services	154,355	154,355	154,355	-
Materials and Supplies	75	75	75	-
Other Services and Charges	4,894	4,894	4,894	-
Total Mass Transit	<u>159,324</u>	<u>159,324</u>	<u>159,324</u>	<u>-</u>
Total Expenditures	<u>24,264,962</u>	<u>25,923,104</u>	<u>23,412,985</u>	<u>2,510,119</u>
Deficiency of Revenues Under Expenditures	<u>(1,489,878)</u>	<u>(3,148,020)</u>	<u>(1,388,726)</u>	<u>1,759,294</u>
Other Financing Sources (Uses):				
Transfers In	2,104,340	2,104,340	2,104,539	199
Transfers Out	<u>(214,539)</u>	<u>(64,539)</u>	<u>(315,235)</u>	<u>(250,696)</u>
Total Other Financing Sources (Uses)	<u>1,889,801</u>	<u>2,039,801</u>	<u>1,789,304</u>	<u>(250,497)</u>
Net Change in Fund Balances	399,923	(1,108,219)	400,578	1,508,797
Fund Balances - Beginning	<u>232,533</u>	<u>232,533</u>	<u>232,533</u>	<u>-</u>
Fund Balances (Deficits) - Ending	<u>\$ 632,456</u>	<u>(875,686)</u>	<u>633,111</u>	<u>1,508,797</u>

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

**CITY OF LINCOLN, NEBRASKA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**AUGUST 31, 2009**

	Business-Type Activities -- Enterprise Funds					Governmental Activities -- Internal Service Funds
	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Other Enterprise Funds	Total	
<b>ASSETS</b>						
Current Assets:						
Cash and Cash Equivalents	\$ 3,283,735	4,394,292	42,140,000	5,345,286	55,163,313	7,879,057
Investments	-	-	-	12,103,653	12,103,653	19,971,508
Restricted Assets:						
Cash and Cash Equivalents	-	-	16,676,000	269,996	16,945,996	-
Investments	1,338,842	397,478	-	-	1,736,320	-
Receivables, (Net of Allowance for Uncollectibles)	1,760,530	2,808,120	14,798,000	1,777,394	21,144,044	506,245
Unbilled Revenues	2,109,234	3,275,363	12,016,000	-	17,400,597	-
Due from Other Funds	1,275,753	1,681,859	-	1,031,382	3,988,994	2,695,040
Due from Other Governments	-	-	-	6,002	6,002	124,687
Inventories	80,118	849,679	14,457,000	221,393	15,608,190	659,348
Plant Operation Assets	-	-	12,387,000	-	12,387,000	-
Prepaid Expenses	-	-	1,422,000	48,638	1,470,638	259,126
Total Current Assets	9,848,212	13,406,791	113,896,000	20,803,744	157,954,747	32,095,011
Noncurrent Assets:						
Restricted Assets:						
Cash and Cash Equivalents	-	-	28,457,000	626,811	29,083,811	-
Investments	13,009,486	18,464,162	3,640,000	3,238,627	38,352,275	-
Receivables	142,092	61,154	-	45,349	248,595	-
Due from Other Funds	-	-	-	115,009	115,009	-
Total Restricted Assets	13,151,578	18,525,316	32,097,000	4,025,796	67,799,690	-
Deferred Charges	782,328	740,779	15,992,000	385,898	17,901,005	-
Capital Assets:						
Land	5,774,849	5,123,119	-	10,793,588	21,691,556	48,250
Buildings	75,192,066	100,121,194	-	50,206,556	225,519,816	373,146
Improvements Other Than Buildings	242,828,463	255,101,939	-	30,740,362	528,670,764	1,166,615
Machinery and Equipment	8,783,360	6,898,028	-	11,960,569	27,641,957	26,532,340
Utility Plant	-	-	1,128,630,000	-	1,128,630,000	-
Construction in Progress	3,799,297	30,363,834	68,035,000	3,388,436	105,586,567	-
Less Accumulated Depreciation	(83,659,749)	(98,775,110)	(399,228,000)	(45,678,835)	(627,341,694)	(18,650,565)
Total Capital Assets, Net	252,718,286	298,833,004	797,437,000	61,410,676	1,410,398,966	9,469,786
Total Noncurrent Assets	266,652,192	318,099,099	845,526,000	65,822,370	1,496,099,661	9,469,786
Total Assets	276,500,404	331,505,890	959,422,000	86,626,114	1,654,054,408	41,564,797
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts Payable	380,187	531,560	13,140,000	2,081,089	16,132,836	457,734
Construction Contracts	1,180,787	6,044,900	477,000	-	7,702,687	-
Accrued Liabilities	402,104	657,547	10,201,000	209,095	11,469,746	304,858
Accrued Compensated Absences	330,462	380,821	-	292,798	1,004,081	667,204
Due to Other Funds	-	-	-	834,146	834,146	1,346,034
Due to Other Governments	-	-	-	123,082	123,082	12,012
Unearned Revenue	-	-	-	777,430	777,430	129,554
Claims	-	-	251,000	-	251,000	4,683,839
Accrued Interest	777,384	145,347	9,806,000	36,456	10,765,187	131
Commercial Paper Notes Payable	-	-	90,000,000	-	90,000,000	-
Current Portion of Capital Lease	-	-	-	146,170	146,170	47,014
Current Portion of Long-Term Debt	2,695,000	6,050,000	17,000,000	1,985,000	27,730,000	-
Other	-	-	7,822,000	-	7,822,000	-
Total Current Liabilities	5,765,924	13,810,175	148,697,000	6,485,266	174,758,365	7,648,380
Noncurrent Liabilities:						
Due to Other Funds	-	-	-	252,372	252,372	-
Accrued Compensated Absences	184,339	376,989	-	77,425	638,753	703,962
Construction Contracts	2,771,854	667,211	-	-	3,439,065	-
Claims	-	-	750,000	-	750,000	3,879,638
Long-Term Debt, Net	80,193,837	71,972,602	584,115,000	12,969,567	749,251,006	-
Capital Lease Payable	-	-	-	191,740	191,740	-
Accrued Liabilities	28,742	40,806	-	48,907	118,455	50,743
Accrued Landfill Closure/Postclosure Care Costs	-	-	-	9,796,000	9,796,000	-
Total Noncurrent Liabilities	83,178,772	73,057,608	584,865,000	23,336,011	764,437,391	4,634,343
Total Liabilities	88,944,696	86,867,783	733,562,000	29,821,277	939,195,756	12,282,723
<b>NET ASSETS</b>						
Invested in Capital Assets, Net of Related Debt	181,153,293	233,365,538	119,876,000	48,808,131	583,202,962	9,422,772
Restricted for:						
Debt Service	356,741	216,595	28,408,000	323,955	29,305,291	-
Capital Projects	621,524	808,345	-	1,219,436	2,649,305	-
Other	-	-	-	37,575	37,575	-
Unrestricted	5,424,150	10,247,629	77,576,000	6,415,740	99,663,519	19,859,302
Total Net Assets	\$ 187,555,708	244,638,107	225,860,000	56,804,837	714,858,652	29,282,074

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2009

	Business-Type Activities -- Enterprise Funds					Governmental Activities -- Internal Service Funds
	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Other Enterprise Funds	Total	
<b>Operating Revenues</b>						
Charges for Services	\$ 21,142,579	25,692,203	248,131,000	4,317,445	299,283,227	48,969,481
Fees	-	-	-	7,834,305	7,834,305	-
Parking Revenue	-	-	-	7,034,535	7,034,535	-
Performance Revenue	-	-	-	1,106,150	1,106,150	-
Other Operating Revenue	-	-	-	509,151	509,151	-
Total Operating Revenues	<u>21,142,579</u>	<u>25,692,203</u>	<u>248,131,000</u>	<u>20,801,586</u>	<u>315,767,368</u>	<u>48,969,481</u>
<b>Operating Expenses</b>						
Personal Services	-	-	-	7,202,016	7,202,016	12,547,700
Contractual Services	-	-	-	3,141,668	3,141,668	-
Operation and Maintenance	10,258,810	12,750,099	12,180,000	5,308,738	40,497,647	34,076,767
Purchased Power	-	-	124,150,000	-	124,150,000	-
Depreciation	7,588,789	6,927,901	35,152,000	3,520,631	53,189,321	2,609,568
Administrative Costs	1,512,481	2,244,978	27,333,000	-	31,090,459	-
Total Operating Expenses	<u>19,360,080</u>	<u>21,922,978</u>	<u>198,815,000</u>	<u>19,173,053</u>	<u>259,271,111</u>	<u>49,234,035</u>
Operating Income (Loss)	<u>1,782,499</u>	<u>3,769,225</u>	<u>49,316,000</u>	<u>1,628,533</u>	<u>56,496,257</u>	<u>(264,554)</u>
<b>Nonoperating Revenues (Expenses)</b>						
Investment Earnings	998,912	870,720	1,783,000	1,028,326	4,680,958	1,357,236
Gain (Loss) on Disposal of Capital Assets	-	-	-	(238,443)	(238,443)	4,840
Occupation Tax	-	-	-	1,978,659	1,978,659	-
Payments in Lieu of Taxes	-	-	(8,548,000)	-	(8,548,000)	-
Amortization of Deferred Charges	(38,904)	(70,604)	(234,000)	(53,689)	(397,197)	-
Interest Expense and Fiscal Charges	(3,580,990)	(1,800,608)	(29,879,000)	(881,510)	(36,142,108)	(2,685)
Total Nonoperating Revenues (Expenses)	<u>(2,620,982)</u>	<u>(1,000,492)</u>	<u>(36,878,000)</u>	<u>1,833,343</u>	<u>(38,666,131)</u>	<u>1,359,391</u>
Income (Loss) Before Contributions and Transfers	(838,483)	2,768,733	12,438,000	3,461,876	17,830,126	1,094,837
Capital Contributions	2,057,734	3,274,336	5,693,000	263,153	11,288,223	220,692
Transfers In	-	-	-	690,425	690,425	10,000
Transfers Out	-	-	(1,519,000)	(1,710,470)	(3,229,470)	(10,425)
Change in Net Assets	<u>1,219,251</u>	<u>6,043,069</u>	<u>16,612,000</u>	<u>2,704,984</u>	<u>26,579,304</u>	<u>1,315,104</u>
Net Assets - Beginning	<u>186,336,457</u>	<u>238,595,038</u>	<u>209,248,000</u>	<u>54,099,853</u>	<u>688,279,348</u>	<u>27,966,970</u>
Net Assets - Ending	<u>\$ 187,555,708</u>	<u>244,638,107</u>	<u>225,860,000</u>	<u>56,804,837</u>	<u>714,858,652</u>	<u>29,282,074</u>

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

**CITY OF LINCOLN, NEBRASKA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2009**

	Business-Type Activities -- Enterprise Funds					Governmental Activities -- Internal Service Funds
	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Other Enterprise Funds	Total	
<b>Cash Flows from Operating Activities</b>						
Receipts from Customers and Users	\$ 20,514,662	24,487,136	253,583,000	20,304,506	318,889,304	11,597,557
Receipts from Interfund Services Provided	146,819	570,906	5,047,000	203,100	5,967,825	36,684,146
Payments to Suppliers for Goods and Services	(3,422,054)	(4,671,298)	(161,338,000)	(7,407,352)	(176,838,704)	(30,048,892)
Payments to Employees	(6,580,411)	(7,776,770)	(21,436,000)	(7,137,152)	(42,930,333)	(12,623,153)
Payments for Interfund Services Provided	(1,765,304)	(3,055,747)	(1,708,000)	(1,414,894)	(7,943,945)	(1,881,649)
Other Receipts	-	-	-	429,645	429,645	-
Net Cash Provided by Operating Activities	<u>8,893,712</u>	<u>9,554,227</u>	<u>74,148,000</u>	<u>4,977,853</u>	<u>97,573,792</u>	<u>3,728,009</u>
<b>Cash Flows from Noncapital Financing Activities</b>						
Occupation Tax	-	-	-	2,045,982	2,045,982	-
Payments in Lieu of Taxes	-	-	(8,272,000)	-	(8,272,000)	-
Transfers from Other Funds	-	-	-	675,425	675,425	10,000
Transfers to Other Funds	-	-	(1,492,000)	(1,710,470)	(3,202,470)	(10,425)
Advances from General Fund	-	-	-	1,001,903	1,001,903	1,391,947
Repayment of Advances from General Fund	-	-	-	(1,721,931)	(1,721,931)	(726,253)
Advances to Other Funds	-	-	-	(2,743)	(2,743)	(105,251)
Payments from Other Funds	396,164	122,238	-	170,399	688,801	92,544
Interest Paid	-	-	-	(47,504)	(47,504)	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>396,164</u>	<u>122,238</u>	<u>(9,764,000)</u>	<u>411,061</u>	<u>(8,834,537)</u>	<u>652,562</u>
<b>Cash Flows from Capital and Related Financing Activities</b>						
Additions to Capital Assets	(8,240,018)	(17,815,271)	(50,612,000)	(3,705,138)	(80,372,427)	(1,971,927)
Proceeds from Sale of Capital Assets	-	-	-	87,000	87,000	37,401
Proceeds from Long-Term Debt	-	15,248,642	-	-	15,248,642	-
Cost of Debt Issuance	-	-	(246,000)	-	(246,000)	-
Net Cost of Retiring Plant	-	-	(447,000)	-	(447,000)	-
Capital Contributions	-	-	5,693,000	-	5,693,000	-
Principal Payments of Capital Lease	-	-	-	(139,618)	(139,618)	(60,884)
Principal Payments of Long-Term Debt	(2,620,000)	(5,795,000)	(13,000,000)	(1,890,000)	(23,305,000)	-
Interest and Fiscal Charges Paid	(3,692,565)	(2,023,885)	(31,343,000)	(837,798)	(37,897,248)	(2,855)
Net Cash Used by Capital and Related Financing Activities	<u>(14,552,583)</u>	<u>(10,385,514)</u>	<u>(89,955,000)</u>	<u>(6,485,554)</u>	<u>(121,378,651)</u>	<u>(1,998,265)</u>
<b>Cash Flows from Investing Activities</b>						
Proceeds from Sale and Maturities of Investments	7,380,050	3,593,879	3,702,000	4,730,915	19,406,844	3,924,552
Purchases of Investments	(3,288,340)	(2,741,705)	-	(3,522,507)	(9,552,552)	(4,915,120)
Interest and Other Receipts	782,933	759,833	2,006,000	849,496	4,398,262	1,074,832
Net Cash Provided by Investing Activities	<u>4,874,643</u>	<u>1,612,007</u>	<u>5,708,000</u>	<u>2,057,904</u>	<u>14,252,554</u>	<u>84,264</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(388,064)	902,958	(19,863,000)	961,264	(18,386,842)	2,466,570
Cash and Cash Equivalents - Beginning	<u>3,671,799</u>	<u>3,491,334</u>	<u>107,136,000</u>	<u>5,280,829</u>	<u>119,579,962</u>	<u>5,412,487</u>
Cash and Cash Equivalents - Ending	<u>\$ 3,283,735</u>	<u>4,394,292</u>	<u>87,273,000</u>	<u>6,242,093</u>	<u>101,193,120</u>	<u>7,879,057</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>						
Operating Income (Loss)	\$ 1,782,499	3,769,225	49,316,000	1,628,533	56,496,257	(264,554)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:						
Depreciation	7,588,789	6,927,901	35,152,000	3,520,631	53,189,321	2,609,568
Changes in Assets and Liabilities:						
Accounts Receivable and Unbilled Revenues	(478,773)	(607,355)	(3,596,000)	185,922	(4,496,206)	18,739
Due from Other Funds	-	-	-	(941)	(941)	(609,814)
Due from Other Governments	-	-	-	67,923	67,923	106,198
Inventories	20,937	193,756	1,127,000	(22,688)	1,319,005	189,254
Plant Operation Assets	-	-	(2,528,000)	-	(2,528,000)	-
Prepaid Expenses	-	-	(175,000)	(5,494)	(180,494)	6,857
Other Assets	-	-	(6,104,000)	-	(6,104,000)	-
Accounts Payable	(18,603)	(274,219)	288,000	(124,138)	(128,960)	36,213
Accrued Liabilities	(6,750)	(512,322)	-	17,881	(501,191)	(150,075)
Accrued Compensated Absences	5,613	57,241	-	52,520	115,374	74,622
Due to Other Funds	-	-	-	(75,572)	(75,572)	11,550
Due to Other Governments	-	-	-	(11,485)	(11,485)	(229)
Unearned Revenue	-	-	-	(117,239)	(117,239)	(190,995)
Claims	-	-	(201,000)	-	(201,000)	1,890,675
Deferred Credits and Other Liabilities	-	-	869,000	-	869,000	-
Accrued Landfill Closure/Postclosure Care Costs	-	-	-	(138,000)	(138,000)	-
Total Adjustments	<u>7,111,213</u>	<u>5,785,002</u>	<u>24,832,000</u>	<u>3,349,320</u>	<u>41,077,535</u>	<u>3,992,563</u>
Net Cash Provided by Operating Activities	<u>\$ 8,893,712</u>	<u>9,554,227</u>	<u>74,148,000</u>	<u>4,977,853</u>	<u>97,573,792</u>	<u>3,728,009</u>
<b>Supplemental Disclosure of Noncash Investing, Capital, and Financing Activities:</b>						
Contribution of Capital Assets	\$ 1,555,955	1,999,072	-	263,153	3,818,180	220,692
Purchase of Capital Assets on Account	3,952,641	6,712,111	-	1,443,956	12,108,708	34,096
Change in Fair Value of Investments	267,999	230,443	95,000	192,723	786,165	281,639

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, 2009**

	Police & Fire Pension Trust Fund	Agency Funds
	<hr/>	<hr/>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 2,474,722	3,443,701
Investments:		
Pooled Investment Funds	4,870,385	-
U.S. Agency Obligations	-	1,910,000
Corporate Bonds	1,379,800	-
Private Equity	386,047	-
Mutual Funds	119,461,573	-
Real Estate Limited Partnership	19,218,203	-
Other	150,900	-
Total Investments	<hr/> 145,466,908	<hr/> 1,910,000
Receivables:		
Contributions	268,149	-
Accrued Interest	875,421	88,824
Other	-	31,047
Due from Other Governments	338	-
Contractor Retainage	<hr/> -	<hr/> 814,064
 Total Assets	 <hr/> 149,085,538	 <hr/> <hr/> 6,287,636
 <b>LIABILITIES</b>		
Warrants Payable	-	754,047
Accounts Payable	11,829	308,243
Accrued Liabilities	3,365	-
Accrued Compensated Absences	10,707	-
Due to Other Governments	-	3,569,053
Due to Homeowners	-	5,763
Due to Contractors	-	1,333,595
Due to Joint Venture	-	199,009
Due to Bondholders	<hr/> -	<hr/> 117,926
 Total Liabilities	 <hr/> 25,901	 <hr/> <hr/> 6,287,636
 <b>NET ASSETS</b>		
Held in Trust for Pension Benefits and Other Purposes	 \$ 149,059,637	
	<hr/> <hr/>	

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, 2009**

	<u>Police &amp; Fire Pension Trust Fund</u>
Additions:	
Contributions:	
Employer	\$ 3,538,283
Employee	<u>2,237,015</u>
Total Contributions	<u>5,775,298</u>
Investment Earnings (Loss):	
Interest	512,240
Dividends	2,758,709
Net Decrease in Fair Value of Investments	<u>(33,269,043)</u>
Net Investment Earnings (Loss)	<u>(29,998,094)</u>
Total Additions (Loss)	<u>(24,222,796)</u>
Deductions:	
Benefit Payments	9,087,929
Refunds of Contributions	568,092
Administrative Costs	<u>171,931</u>
Total Deductions	<u>9,827,952</u>
Change in Net Assets	(34,050,748)
Net Assets Held in Trust for Pension Benefits and Other Purposes - Beginning	<u>183,110,385</u>
Net Assets Held in Trust for Pension Benefits and Other Purposes - Ending	<u>\$ 149,059,637</u>

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

## **NOTES TO THE FINANCIAL STATEMENTS**

**CITY OF LINCOLN, NEBRASKA**  
**Notes to the Financial Statements**  
**August 31, 2009**

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

**REPORTING ENTITY**

The accompanying financial statements present the government of the City of Lincoln, Nebraska (City). Based upon the criteria identified in Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*, and Statement 39, *Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14*, none of the City's significant potential component units are required to be included as part of the reporting entity. 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.

**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, 2009. 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, 2008. The amounts included in the City's 2009 financial statements for LES are amounts as of and for the year ended December 31, 2008.

**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. 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



CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2009

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, police and fire protection, legal services, planning, and parks and recreation.

The Street Construction Fund accounts for the resources accumulated and payments made for the maintenance, construction, and improvement of the streets and highways in the City.

The Federal Grants Fund accounts for the costs of providing services under the City's Community Development Block Grant Program with funding provided by grants from the Department of Housing and Urban Development; monies received from various federal and state agencies under several small categorical grants and the City's matching funds to provide services as stipulated in the individual grant agreements; costs of providing services under the Workforce Investment Act with funding provided by grants from the Department of Labor; and reimbursements from the Federal Emergency Management Agency due to disasters caused by storm and flood damage with funds used to reimburse other funds for related costs and to pay disaster related expenses.

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, 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.

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2009

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; 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 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

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2009

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. When certain payments are made that have benefit to future accounting periods and are funded by interfund borrowings, they are recorded as prepayments, with a like amount of interfund liability reflected. The prepayments are charged to expenditures on the governmental fund financial statements over the period of their economic benefit.

Amounts of governmental fund inventories and vendor prepaid items are offset by a fund balance reserve account to indicate that they do not represent "available spendable resources".

Deferred Charges

Advances for mine development are payments made for the construction of the Dry Fork Coal Mine and 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, 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.

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2009

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

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

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

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

#### Compensated Absences

City employees generally earn vacation days at a variable rate based on years of service. In the event of termination, an employee is reimbursed for accumulated vacation time up to a maximum allowed accumulation, which is in no case longer than 35 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. In some cases payment may be placed in a medical spending account rather than reimbursing the employee directly. Police union employees who leave the City's service in good standing after giving two weeks notice of termination of employment are also compensated for sick leave. 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

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2009

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

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for specific purposes. Designations of unrestricted fund balance represent tentative management plans that are subject to change.

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 \$23,004,086 of the General Fund's unreserved fund balance of \$27,586,521 meets the requirements of this policy, leaving an additional unreserved balance of \$4,582,435.

Net Assets Classification

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 \$149,455,401 of restricted net assets, of which enabling legislation restricts \$18,385,933.

*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.

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2009

- 5) Budgets for all funds are adopted on a basis inconsistent with generally accepted accounting principles (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 certain special revenue (Advance Acquisition, Police & Fire Pension Contributions, Special Assessment, Impact Fees, Development Services Center, Other (Tax Sales Revolving, Property Tax Refunds, Robert Crawford Corridor), Parks & Recreation Special Projects, and Seniors Foundation of Lincoln & Lancaster County), permanent (J.J. Hompes), 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 \$12,860,672, 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, 2008, 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

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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 2009, the City implemented the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which addresses standards for pollution remediation obligations dealing with the current or potential detrimental effects of existing pollution by participation in pollution remediation activities such as site assessments and cleanups. The implementation of GASB 49 did not have a material impact on the financial statements.

In 2009, the City implemented the provisions of GASB Statement No. 52 *Land and Other Real Estate Held as Investments by Endowments*, which establishes standards requiring endowments to report their land and other real estate investments at fair value. The implementation had no impact on the financial statements.

**NEW ACCOUNTING PRONOUNCEMENTS**

GASB has issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, effective for financial statements for periods beginning after June 15, 2009. Statement 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies in the areas of recognition, initial measurement, and amortization, thereby enhancing the comparability among state and local governments.

GASB has issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for financial statements for periods beginning after June 15, 2009. Statement 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.

GASB has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective for financial statements for periods beginning after June 15, 2010. Statement 54 looks to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

The City will review these standards in preparation for meeting the implementation deadlines as established by the statements.

GASB has issued Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, in order to incorporate the hierarchy of generally accepted accounting principles for state and local governments into the GASB authoritative literature. The Statement prioritizes pronouncements into four categories. The statement was issued in March of 2009 and was effective upon issuance as the standard was not expected to change current practice.

GASB has issued Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, in order to incorporate into GASB authoritative literature certain accounting and financial reporting guidance presented in the AICPA Statement on Auditing Standards. The Statement applies to all state and local governments. Related party transactions, going concern considerations and subsequent events, which had not previously been included in governmental authoritative literature, are addressed in the Statement. The Statement moves existing accounting and financial reporting guidance contained in auditing standards into the GASB standards. The statement was issued in March of 2009 and was effective upon issuance.

**(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**

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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, not reported in the funds.” The details of the \$179,404,001 difference are as follows:

Bonds Payable	\$ 132,446,004
Less deferred charge for issuance costs	(1,371,382)
Less issuance discounts	(22,744)
Plus issuance premiums	2,698,100
Capital Leases Payable	28,047,479
Accrued Interest Payable	1,680,294
Net Pension Obligation	3,983,011
Net OPEB Obligation	660,447
Compensated Absences	11,282,792
Net difference	<u>\$ 179,404,001</u>

EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances – total governmental funds* and *change in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$14,061,193 difference are as follows:

Capital outlay	\$ 36,705,269
Depreciation expense	(22,644,076)
Net difference	<u>\$ 14,061,193</u>

Another element of that reconciliation states, “The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$4,571,173 difference are as follows:

Debt issued or incurred:	
Issuance of tax allocation bonds	\$ (4,001,393)
Issuance of certificates of participation	(2,500,000)
Deferred charge for issuance costs	138,333
Issuance premiums	(25,473)
Amortization of deferred items	4,924
Principal repayments	10,954,782
Net difference	<u>\$ 4,571,173</u>

Another element of that reconciliation states, “Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$(1,715,276) difference are as follows:

Loss on disposal of capital assets	\$ (1,748,282)
Termination benefits	386,214
Construction contracts	431,032
Other	(11,014)
Accrued interest	32,984
Compensated absences	(806,210)
Net difference	<u>\$ (1,715,276)</u>



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**(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 Golf Enterprise Fund are classified as restricted assets to be used for capital improvements.

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, 2009 are as follows:

Fund Account	Golf	Parking Facilities	Pershing Municipal Auditorium	Solid Waste Management	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Totals
Principal and Interest	\$ 7,160	225,261	-	-	1,338,842	397,478	16,676,000	18,644,741
Reserve	316,500	1,937,819	-	400,000	6,487,613	8,365,688	22,015,000	39,522,620
Depreciation and Replacement	100,000	682,850	-	-	-	-	-	782,850
Construction	-	-	-	556,062	6,663,965	10,159,628	10,082,000	27,461,655
Capital Improvements	124	22,573	9,868	-	-	-	-	32,565
Marketing	-	-	37,575	-	-	-	-	37,575
	<u>\$ 423,784</u>	<u>2,868,503</u>	<u>47,443</u>	<u>956,062</u>	<u>14,490,420</u>	<u>18,922,794</u>	<u>48,773,000</u>	<u>86,482,006</u>

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

**(4) DEPOSITS AND INVESTMENTS**

**DEPOSITS**

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

State Statutes 15-846 and 15-847 R.R.S., 1943 require banks either to give 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, 2009, 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.

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**INVESTMENTS**

At August 31, 2009, the City had the following investments, maturities and credit ratings:

	August 31, 2009						
		Maturities in Years				Credit Rating	
Type	Fair Value	Less than 1	1-5	6-10	More than 10	S&P	Moody's
<b>General City:</b>							
U.S. Treasury Obligations	\$ 20,899,608	5,574,100	15,325,508	-	-	N/A	N/A
U.S. Sponsored Agency Obligations	122,938,419	54,552,427	66,257,773	2,128,219	-	AAA	Aaa
Collateralized Repurchase Agreements	1,768,956	1,768,956	-	-	-	N/A	N/A
Collateralized Investment Agreements	3,139,981	-	-	-	3,139,981	AA-	Aaa
Collateralized Investment Agreements	4,930,000	-	-	-	4,930,000	A-	A3
Collateralized Investment Agreements	1,120,000	-	-	1,120,000	-	A+ (Fitch)	A1
Money Market Mutual Funds - U.S. Treasury	3,376,182	3,376,182	-	-	-	N/A	N/A
Money Market Mutual Funds - U.S. Agencies	110,196,102	110,196,102	-	-	-	AAAm	Aaa
Money Market Mutual Funds	23,934	23,934	-	-	-	Not rated	Not rated
Corporate Bonds	32,281	-	32,281	-	-	A	A2
External Investment Trust	18,300,000	18,300,000	-	-	-	Not rated	Not rated
Tax Increment Financing Investments	2,994,959	-	-	1,809,135	1,185,824	Not rated	Not rated
Total General City	289,720,422	193,791,701	81,615,562	5,057,354	9,255,805		
<b>Community Health Endowment:</b>							
U.S. Treasury Obligations	3,298,384	100,417	2,069,583	574,441	553,943	N/A	N/A
U.S. Sponsored Agency Obligations	944,847	-	944,847	-	-	AAA	Aaa
U.S. Sponsored Agency Obligations	5,146,642	-	37,877	265,416	4,843,349	Not rated	Not rated
Money Market Mutual Funds	4,121,547	4,121,547	-	-	-	Not rated	Not rated
Mortgage-backed Securities	186,342	-	-	-	186,342	AAA	Aaa
Mortgage-backed Securities	38,262	-	-	-	38,262	B	B
Corporate Bonds	2,199,625	-	1,710,803	75,515	413,307	AAA	Aaa to Aa
Corporate Bonds	253,616	-	-	99,577	154,039	AA	Aa
Corporate Bonds	2,855,245	125,999	1,093,858	1,202,558	432,830	A	AA to Baa
Corporate Bonds	1,342,109	-	428,427	637,483	276,199	BBB	A to Baa
Municipal Issues	126,839	-	126,839	-	-	A	A
Mutual Funds – Fixed Income	23,207,746	23,207,746	-	-	-	Not rated	Not rated
Partnerships/Joint Ventures	5,652,974	5,652,974	-	-	-	Not rated	Not rated
Foreign Obligations	177,432	-	-	177,432	-	AAA	Aaa
Foreign Obligations	220,758	-	220,758	-	-	AA	Aa
Foreign Obligations	233,662	-	206,777	-	26,885	A	A to Baa
Foreign Obligations	121,315	-	-	48,594	72,721	BBB	Baa
Securities Lending short-term investment pool	1,020,557	1,020,557	-	-	-	Not rated	Not rated
Total Community Health Endowment:	51,147,902	34,229,240	6,839,769	3,081,016	6,997,877		
<b>Police &amp; Fire Pension Trust:</b>							
Corporate Bonds	1,379,800	-	-	-	1,379,800	B+	Not rated
Money Market Mutual Funds	40,029	40,029	-	-	-	Not rated	Not rated
Mutual Funds - Fixed Income	20,885,194	20,885,194	-	-	-	Not rated	Not rated
	22,305,023	20,925,223	-	-	1,379,800		
Mutual Funds	98,727,279						
Private Equity	386,047						
Real Estate Limited Partnerships	19,218,203						
Total Police & Fire Pension Trust	140,636,552						
Total Primary Government	\$ 481,504,876						

**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.

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

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

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

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

Investment agreements are made with provisions that if the provider is downgraded below Aa3 by Moody's Investors Service (Moody's) or AA- by Standard & Poor's (S&P) the provider must deliver collateral of U.S. Government agencies obligations at a margin of 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, 2009, the investment agreements were adequately collateralized with U.S. Government agencies obligations that had a rating of Aaa by Moody's and AAA by S&P.

The \$23,934 non-rated money market fund is held in the J.J. Hompes fund. The money market fund is comprised of highly rated securities. 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.

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

<u>Type</u>	<u>Portfolio Composition</u>	<u>Policy Limits on Issuer</u>
U.S. agency obligations:		
Federal Home Loan Bank	20.30 %	40.00 %
Federal Home Loan Mortgage Corporation	4.21	40.00
Federal National Mortgage Association	11.30	40.00
Federal Farm Credit Bank	6.63	40.00

Community Health Endowment (CHE) Policy

CHE may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury, U.S. agencies, instrumentalities and in bank repurchase agreements. It may also invest to a limited extent in corporate bonds, bankers' acceptance, mutual funds, and investment agreements.

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*Custodial Credit Risk.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, 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 limits all bond investments to a maximum maturity of 30 years. Mutual 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 U.S. treasury and U.S. agency obligations to issues with at least Baa / BBB ratings. Short-term fixed income issues should have a minimum A-2 / P-2 rating. Investments in corporate debt, bank loan portfolios, and associated high yield fixed income mutual funds must have a minimum average credit rating of B-.

*Concentration of Credit Risk.* CHE limits the percentage of cost that may be invested in any one industry, company and issuer by an investment manager. The limits vary depending on the type of investment. Investments by an investment manager in any one company are limited to 5% of portfolio cost. Except for U.S. treasury and U.S. agency obligations, investments in any one issuer are also limited to 5% of portfolio cost. Industry limits are 25% of portfolio cost for any one industry. Investments in Distressed/Mezzanine corporate debt or related mutual funds should have a minimum diversification of at least twenty different company investments. At August 31, 2009, CHE's investment in Federal National Mortgage Association bonds constituted 9% of its total investments.

*Foreign Currency Risk.* This risk relates to adverse affects on the fair value of an investment from changes in exchange rates. CHE's investment policy states investments in developed country and corporate foreign debt may not exceed 25% of total investment portfolio. CHE had no investment denominated in foreign currency at August 31, 2009.

#### 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.

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Summary of Deposit and Investment Balances

Following is a reconciliation of the City's deposit and investment balances as of August 31, 2009:

	Totals		
Investments	\$ 481,504,876		
Deposits and Cash on Hand	6,211,546		
	<u>\$ 487,716,422</u>		
	Government-wide	Fiduciary Funds	
	Statement of	Statement of	
	Net Assets	Net Assets	Totals
Cash and Cash Equivalents	\$ 99,641,976	5,918,423	105,560,399
Investments	110,480,156	147,376,908	257,857,064
Invested Securities Lending	1,020,557	-	1,020,557
Restricted Assets:			
Cash and Cash Equivalents	46,029,807	-	46,029,807
Investments	77,248,595	-	77,248,595
	<u>\$ 334,421,091</u>	<u>153,295,331</u>	<u>487,716,422</u>

Securities Lending Transactions

The policies of the Community Health Endowment Board of Trustees authorize CHE to participate in securities lending transactions, where securities are loaned to brokers and broker dealers with a simultaneous agreement to return the collateral for the same securities in the future. The custodial bank administers the securities lending program and receives cash at least equal in value to the fair value of the loaned securities as collateral for securities of the type on loan at year-end. Securities lent at year-end for cash collateral are presented as unclassified in the preceding schedule of custodial risk. At year-end, CHE has no credit risk exposure to borrowers because the amounts CHE owes the borrowers exceed the amounts the borrowers owe CHE. The cash cannot be spent by CHE unless the borrower defaults. There are no restrictions on the amount of securities that can be loaned, and there were no losses resulting from borrower default during the year. At August 31, 2009, securities lending transactions included U.S. treasuries and U.S. agency obligations.

Either CHE or the borrowers can terminate all securities loans on demand. Cash collateral is invested in one of the lending agent's short-term investment pools that had an average duration of 67 days. Because loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. Loss indemnification is provided to CHE by the contract with the custodian.

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**(5) RECEIVABLES**

Receivables at August 31, 2009, consist of the following (in thousands):

Fund	Taxes	Accounts	Loans	Contributions	Special Assessment		Accrued Interest	Gross Receivables	Allowance For Uncollectibles	Net
					Current	Deferred				
General	\$ 2,712	1,106	-	-	-	-	101	3,919	-	3,919
Street Construction	-	249	-	-	-	-	87	336	-	336
Federal Grants	-	14	23,623	-	-	-	3	23,640	3,986	19,654
Wastewater System	-	3,870	-	-	-	-	142	4,012	-	4,012
Water System	-	6,084	-	-	-	-	61	6,145	-	6,145
Electric System	-	26,786	-	-	-	-	28	26,814	-	26,814
Nonmajor -										
Special Revenue	994	328	-	-	388	1,431	216	3,357	137	3,220
Debt Service	842	-	-	-	-	-	102	944	-	944
Capital Projects	-	21	-	-	-	-	101	122	-	122
Permanent	-	-	-	-	-	-	157	157	-	157
Enterprise	-	4,021	-	-	-	-	156	4,177	2,354	1,823
Internal Service	-	337	-	-	-	-	169	506	-	506
Fiduciary	-	31	-	268	-	-	964	1,263	-	1,263
	<u>\$ 4,548</u>	<u>42,847</u>	<u>23,623</u>	<u>268</u>	<u>388</u>	<u>1,431</u>	<u>2,287</u>	<u>75,392</u>	<u>6,477</u>	<u>68,915</u>

Enterprise funds customer accounts receivable include unbilled charges for services.

Delinquent special assessment receivables at August 31, 2009, were \$208,700.

**(6) DUE FROM OTHER GOVERNMENTS**

The total of Due From Other Governments of \$26,919,786 includes the following significant items:

<u>Fund/Fund Type</u>	<u>Amount</u>	<u>Service</u>
General/General	\$ 9,195,486	State of Nebraska, July/August Sales and Use Tax
	390,455	August Motor Vehicle Taxes Collected by Lancaster County
	126,686	Federal Government, Cost Reimbursements
	160,742	Lancaster County, Cost Reimbursements
Street Construction/Special Revenue	2,841,343	State of Nebraska, July/August Highway User Fees
	408,884	Railroad Transportation Safety District, Cost Reimbursements
	9,705,716	Federal Government, Cost Reimbursements
	380,239	Lancaster County, Cost Reimbursements
Federal Grants/Special Revenue	1,843,251	Federal Government, Cost Reimbursements
Lincoln Area Agency on Aging/Special Revenue	73,606	Federal Government, Cost Reimbursements
	12,636	State of Nebraska, Cost Reimbursements
Lincoln/Lancaster Co. Health/Special Revenue	334,560	Lancaster County, Cost Reimbursements
Snow Removal/Special Revenue	97,817	August Motor Vehicle Taxes Collected by Lancaster County
StarTran/Special Revenue	35,724	Federal Government, Cost Reimbursements
Antelope Valley/Tax Supported Bonds/Debt Service	166,666	State of Nebraska, July/August Development Fund Disbursements
Vehicle Tax/Capital Projects	861,168	August Motor Vehicle Taxes Collected by Lancaster County
Storm Sewer Construction/Capital Projects	135,304	Federal Government, Cost Reimbursements
Information Services/Internal Service	103,163	Lancaster County Billings
Copy Services/Internal Service	<u>15,854</u>	Lancaster County Billings
Subtotal	26,889,300	
All other	<u>30,486</u>	
Total Due From Other Governments	<u>\$ 26,919,786</u>	

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(7) **CAPITAL ASSETS**

Capital asset activity for the year ended August 31, 2009, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental Activities:</b>				
Capital Assets, not being Depreciated:				
Land	\$ 62,978,764	2,509,995	450,587	65,038,172
Construction in Progress	100,116,868	26,676,496	37,722,514	89,070,850
Total Capital Assets, not being Depreciated	163,095,632	29,186,491	38,173,101	154,109,022
Capital Assets, being Depreciated:				
Buildings	76,224,063	881,548	2,613,281	74,492,330
Improvements Other Than Buildings	61,520,620	448,033	206,020	61,762,633
Machinery and Equipment	75,270,070	4,166,488	1,869,505	77,567,053
Infrastructure	466,493,064	45,975,333	324,360	512,144,037
Total Capital Assets, being Depreciated	679,507,817	51,471,402	5,013,166	725,966,053
Less Accumulated Depreciation for:				
Buildings	28,671,360	1,896,312	1,583,541	28,984,131
Improvements Other Than Buildings	23,222,224	1,888,197	197,955	24,912,466
Machinery and Equipment	41,718,352	6,610,976	1,804,844	46,524,484
Infrastructure	150,127,207	14,858,159	96,671	164,888,695
Total Accumulated Depreciation	243,739,143	25,253,644	3,683,011	265,309,776
Total Capital Assets, being Depreciated, Net	435,768,674	26,217,758	1,330,155	460,656,277
Governmental Activities Capital Assets, Net	\$ 598,864,306	55,404,249	39,503,256	614,765,299
<b>Business-type Activities:</b>				
Capital Assets, not being Depreciated:				
Land	\$ 21,004,520	963,777	276,741	21,691,556
Construction in Progress	78,111,949	77,370,099	49,895,481	105,586,567
Total Capital Assets, not being Depreciated	99,116,469	78,333,876	50,172,222	127,278,123
Capital Assets, being Depreciated:				
Buildings	223,984,884	1,883,330	348,398	225,519,816
Improvements Other Than Buildings	505,547,113	23,429,762	306,111	528,670,764
Machinery and Equipment	26,497,215	2,334,180	1,189,438	27,641,957
Utility Plant	1,102,873,000	27,475,000	1,718,000	1,128,630,000
Total Capital Assets, being Depreciated	1,858,902,212	55,122,272	3,561,947	1,910,462,537
Less Accumulated Depreciation for:				
Buildings	66,296,767	5,196,626	348,398	71,144,995
Improvements Other Than Buildings	129,886,505	11,066,226	304,139	140,648,592
Machinery and Equipment	15,687,146	1,774,469	1,141,508	16,320,107
Utility Plant	366,241,000	35,152,000	2,165,000	399,228,000
Total Accumulated Depreciation	578,111,418	53,189,321	3,959,045	627,341,694
Total Capital Assets, being Depreciated, Net	1,280,790,794	1,932,951	(397,098)	1,283,120,843
Business-type Activities Capital Assets, Net	\$ 1,379,907,263	80,266,827	49,775,124	1,410,398,966

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Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General Government	\$ 1,084,230
Public Safety	1,890,199
Streets and Highways, including Infrastructure	14,268,490
Culture and Recreation	3,404,342
Economic Opportunity	62,050
Health and Welfare	238,347
Mass Transit	1,696,418
Subtotal	<u>22,644,076</u>
Internal Service Funds Capital Assets	
Depreciation is charged to the various functions based on usage of the assets.	2,609,568
Total Depreciation Expense - Governmental	<u>\$ 25,253,644</u>

Business-type Activities:	
Parking Lots	\$ 32,056
Golf	582,151
Parking Facilities	1,124,306
Pershing Municipal Auditorium	63,838
Solid Waste Management	1,718,280
Wastewater System	7,588,789
Water System	6,927,901
Lincoln Electric System	35,152,000
Total Depreciation Expense - Business-type	<u>\$ 53,189,321</u>

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Lincoln Wastewater System:</b>				
Capital Assets, not being Depreciated:				
Land	\$ 5,454,208	320,641	-	5,774,849
Construction in Progress	6,293,116	5,967,222	8,461,041	3,799,297
Total Capital Assets, not being Depreciated	<u>11,747,324</u>	<u>6,287,863</u>	<u>8,461,041</u>	<u>9,574,146</u>
Capital Assets, being Depreciated:				
Buildings	75,130,556	409,908	348,398	75,192,066
Improvements Other Than Buildings	233,809,970	9,314,890	296,397	242,828,463
Machinery and Equipment	8,349,695	555,516	121,851	8,783,360
Total Capital Assets, being Depreciated	<u>317,290,221</u>	<u>10,280,314</u>	<u>766,646</u>	<u>326,803,889</u>
Less Accumulated Depreciation for:				
Buildings	18,651,704	1,710,526	348,398	20,013,832
Improvements Other Than Buildings	54,375,299	5,332,575	296,397	59,411,477
Machinery and Equipment	3,810,603	545,688	121,851	4,234,440
Total Accumulated Depreciation	<u>76,837,606</u>	<u>7,588,789</u>	<u>766,646</u>	<u>83,659,749</u>
Total Capital Assets, being Depreciated, Net	<u>240,452,615</u>	<u>2,691,525</u>	<u>-</u>	<u>243,144,140</u>
Wastewater System Capital Assets, Net	<u>\$ 252,199,939</u>	<u>8,979,388</u>	<u>8,461,041</u>	<u>252,718,286</u>



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	Beginning Balances	Increases	Decreases	Ending Balances
<b>Lincoln Water System:</b>				
Capital Assets, not being Depreciated:				
Land	\$ 4,832,093	291,026	-	5,123,119
Construction in Progress	26,510,579	16,726,012	12,872,757	30,363,834
Total Capital Assets, not being Depreciated	<u>31,342,672</u>	<u>17,017,038</u>	<u>12,872,757</u>	<u>35,486,953</u>
Capital Assets, being Depreciated:				
Buildings	99,328,684	792,510	-	100,121,194
Improvements Other Than Buildings	241,191,398	13,911,658	1,117	255,101,939
Machinery and Equipment	6,545,791	596,038	243,801	6,898,028
Total Capital Assets, being Depreciated	<u>347,065,873</u>	<u>15,300,206</u>	<u>244,918</u>	<u>362,121,161</u>
Less Accumulated Depreciation for:				
Buildings	27,595,714	2,367,861	-	29,963,575
Improvements Other Than Buildings	60,413,306	4,128,281	1,117	64,540,470
Machinery and Equipment	4,083,107	431,759	243,801	4,271,065
Total Accumulated Depreciation	<u>92,092,127</u>	<u>6,927,901</u>	<u>244,918</u>	<u>98,775,110</u>
Total Capital Assets, being Depreciated, Net	<u>254,973,746</u>	<u>8,372,305</u>	<u>-</u>	<u>263,346,051</u>
Water System Capital Assets, Net	<u>\$ 286,316,418</u>	<u>25,389,343</u>	<u>12,872,757</u>	<u>298,833,004</u>
	Beginning Balances	Increases	Decreases	Ending Balances
<b>Lincoln Electric System:</b>				
Capital Assets, not being Depreciated:				
Construction in Progress	\$ 44,755,000	51,202,000	27,922,000	68,035,000
Capital Assets, being Depreciated:				
Utility Plant	1,102,873,000	27,475,000	1,718,000	1,128,630,000
Less Accumulated Depreciation	366,241,000	35,152,000	2,165,000	399,228,000
Total Capital Assets, being Depreciated, Net	<u>736,632,000</u>	<u>(7,677,000)</u>	<u>(447,000)</u>	<u>729,402,000</u>
Electric System Capital Assets, Net	<u>\$ 781,387,000</u>	<u>43,525,000</u>	<u>27,475,000</u>	<u>797,437,000</u>

During 2009, Lincoln Wastewater System incurred \$3,708,468 of interest cost, of which \$127,478 was capitalized into construction in progress. Lincoln Water System incurred \$2,941,269 of interest cost, of which \$1,140,661 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 of 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 plant balance times the weighted-average interest rate on debt based on Federal Energy Regulatory Commission accounting method. The weighted-average rate for 2008 was 4.6%.

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**(8) INTERFUND BALANCES AND ACTIVITY**

Balances Due To/From Other Funds at August 31, 2009, consist of the following:

	Due To	Due From					
		General Fund	Street Construction	Federal Grants	Nonmajor Governmental	Nonmajor Enterprise	Internal Service
General Fund	\$	-	338	240	35,310	1,051,889	1,304,683
Street Construction		1,192,546	-	-	6,755,865	21,300	-
Federal Grants		81,325	-	-	-	-	-
Nonmajor Governmental		3,448,822	-	4,530	1,279,670	-	-
Lincoln Wastewater System		654,229	-	-	621,524	-	-
Lincoln Water System		873,514	-	-	808,345	-	-
Nonmajor Enterprise		1,138,428	7,800	-	163	-	-
Internal Service		2,572,428	8,384	6,370	53,178	13,329	41,351
	\$	9,961,292	16,522	11,140	9,554,055	1,086,518	1,346,034
							21,975,561

“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, 2009, consist of the following:

	Transfer To	Transfer From						
		General Fund	Street Construction	Federal Grants	Nonmajor Governmental	Lincoln Electric System	Nonmajor Enterprise	Internal Service
General Fund	\$	-	9,085	8,000	1,552,129	1,519,000	839,500	10,000
Street Construction		625,725	-	250,696	9,431,492	-	-	-
Federal Grants		347,055	-	-	1,757,484	-	-	-
Nonmajor Governmental		19,681,306	6,223,347	56,539	10,362,604	-	870,970	-
Nonmajor Enterprise		690,000	-	-	-	-	-	425
Internal Service		10,000	-	-	-	-	-	-
Total	\$	21,354,086	6,232,432	315,235	23,103,709	1,519,000	1,710,470	10,425
								54,245,357

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.

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**(9) LONG-TERM DEBT**

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 \$3,945,644, \$3,401,372, and \$8,708,856, are currently available in the debt service funds to service the General Obligation Bonds, Tax Supported Bonds, and Tax Allocation 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	\$ 515,750	\$ 210,000
Buildings	11,914,750	-
Improvements	219,925	-
Infrastructure	10,933,215	-
Machinery and Equipment	1,838,042	3,113,553
Less Accumulated Depreciation, (where applicable)	<u>(3,483,954)</u>	<u>(2,416,018)</u>
Total	<u>\$ 21,937,728</u>	<u>\$ 907,535</u>

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

Established by City Ordinance, LES may borrow up to \$150 million under a commercial paper note program. At December 31, 2008, 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, 2008, was 2.29 percent. The annual requirement to pay interest on this outstanding debt is approximately \$2.1 million. 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 average length of maturity of commercial paper for 2008 was 61 days.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Lincoln Electric System:</b>					
Commercial Paper Notes	\$ 90,000,000	355,400,000	(355,400,000)	90,000,000	90,000,000

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

Original Amount	Issued	Issue	Interest Rate	When Due	Date Callable	Interest Date	Outstanding
<b>Governmental Activities:</b>							
General Obligation Bonds:							
General Bonds:							
14,435	03/01/99	Various Purpose Series A	3.000 - 4.600	Serial 2000 to 2014	2009	Semiannually	\$ 5,840
7,365	03/01/99	Various Purpose Series A	4.750	Term 2019	2009	"	7,365
8,220	03/01/99	Various Purpose Series B	3.000 - 4.250	Serial 1999 to 2011	2007	"	1,160
6,350	05/29/02	Storm Sewer and Drainage	3.000 - 5.000	Serial 2004 to 2020	2010	"	4,940
1,150	05/29/02	Storm Sewer and Drainage	5.00	Term 2022	2010	"	1,150
15,595	07/08/03	Various Purpose	2.625 - 3.750	Serial 2004 to 2017	2013	"	7,145
3,710	07/08/03	Various Purpose	4.000 / 4.125	Term 2020 & 2023	2013	"	3,710
6,555	06/01/05	Storm Sewer Refunding	2.500 - 4.375	Serial 2005 to 2017	2011	"	4,870
9,950	06/15/05	Storm Sewer Construction	3.250 - 4.250	Serial 2006 to 2025	2015	"	8,465
8,295	06/27/07	Stormwater Drainage and Flood Mgmt	4.625 - 5.000	Serial 2008 to 2027	2017	"	7,795
Total General Bonds							<u>\$ 52,440</u>
Tax Allocation Bonds:							
1,035	04/21/04	Tax Allocation Bonds	2.000 - 3.200	Serial 2004 to 2011	2008	Semiannually	420
5,500	04/21/04	Tax Allocation Bonds	3.000 - 4.800	Serial 2004 to 2015	2010	"	3,750
365	08/15/05	Tax Allocation Bonds	4.750	Serial 2006 to 2018	Anytime	"	271
288	10/01/06	Tax Allocation Bonds	5.100	Serial 2008 to 2016	Anytime	"	247
2,205	04/05/07	Tax Allocation Bonds	5.000 - 5.550	Serial 2009 to 2018	2012	"	2,205
601	06/01/07	Tax Allocation Bonds	5.240	Serial 2008 to 2018	Anytime	"	578
388	06/01/07	Tax Allocation Bonds	5.240	Serial 2007 to 2020	Anytime	"	346
369	06/15/07	Tax Allocation Bonds	5.400	Serial 2007 to 2014	Anytime	"	285
42	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2021	Anytime	"	42
71	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2017	Anytime	"	71
474	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2022	Anytime	"	429
547	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	532
200	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	194
611	06/30/09	Tax Allocation Bonds	7.00	Serial 2011 to 2023	Anytime	"	611
3,375	07/28/09	Tax Allocation Bonds	2.500 - 6.400	Serial 2011 to 2023	Anytime	"	3,375
Total Tax Allocation Bonds							<u>\$ 13,356</u>
Tax Supported Bonds:							
35,000	03/17/04	Highway Allocation Fund	2.000 - 5.000	Serial 2007 to 2023	2014	Semiannually	34,080
27,000	12/05/06	Highway Allocation Fund	4.000 - 5.000	Serial 2008 to 2027	2016	"	25,305
Total Tax-Supported Bonds							<u>\$ 59,385</u>
TOTAL GENERAL OBLIGATION BONDS							<u>\$ 125,181</u>
Tax Supported Bonds:							
11,080	3/13/02	Antelope Valley Project	1.500 - 5.000	Serial 2002 to 2016	2012	Semiannually	<u>\$ 7,265</u>
<b>Business-Type Activities:</b>							
Revenue Bonds:							
39,235	07/31/03	Wastewater Revenue	2.000 - 5.000	Serial 2004 to 2023	2013	Semiannually	\$ 29,720
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	"	16,030
16,710	04/18/07	Wastewater Revenue	4.000 - 4.500	Serial 2008 to 2029	2017	"	15,840
3,750	04/18/07	Wastewater Revenue	4.375	Term 2032	2017	"	3,750
Total Wastewater Bonds							<u>\$ 81,105</u>
11,850	11/22/02	Water Revenue	2.750 - 5.000	Serial 2005 to 2017	2012	Semiannually	\$ 7,940
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	-	"	11,100
40,000	11/16/04	Water Revenue	3.000 - 5.000	Serial 2005 to 2025	2014	"	35,160
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							<u>\$ 76,280</u>
6,695	09/08/99	Parking Revenue Series A	5.375	Term 2014	2009	"	\$ 6,695
4,360	12/18/01	Parking Revenue	3.750 - 5.000	Serial 2002 to 2017	2011	"	2,475
1,640	12/18/01	Parking Revenue	5.125	Term 2021	2011	"	1,640
Total Parking Bonds							<u>\$ 10,810</u>
3,165	11/27/01	Golf Course Revenue Refunding	2.300 - 4.050	Serial 2002 to 2011	2008	Semiannually	<u>\$ 715</u>
4,000	08/17/06	Solid Waste Management Revenue	4.000 - 4.250	Serial 2007 to 2021	2013	Semiannually	<u>\$ 3,430</u>
148,190	10/01/02	Electric Revenue and Refunding Bonds	4.000 - 5.000	Serial 2004 to 2025	2012	"	103,290
93,045	10/01/03	Electric Revenue and Refunding Bonds	3.000 - 5.000	Serial 2004 to 2026	2014	"	84,415
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	"	183,230
81,850	05/15/07	Electric Revenue and Refunding Bonds	4.500 / 4.750	Term 2034 & 2037	2016	"	81,850
Total Electric Bonds							<u>\$ 601,050</u>
TOTAL REVENUE BONDS							<u>\$ 773,390</u>

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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
2010	\$ 6,798	5,351	660	326	3,198	1,042
2011	7,288	5,130	685	299	3,212	953
2012	8,162	4,816	710	271	3,656	847
2013	8,063	4,474	740	238	2,429	726
2014	8,385	4,120	780	200	2,418	639
2015 - 2019	43,222	14,857	3,690	335	8,779	1,924
2020 - 2024	35,298	6,023	-	-	2,630	749
2025 - 2029	7,965	657	-	-	1,772	155
	<u>\$ 125,181</u>	<u>45,428</u>	<u>7,265</u>	<u>1,669</u>	<u>28,094</u>	<u>7,035</u>

Fiscal Year Ended August 31	Business-Type Activities			
	Revenue Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2010	\$ 27,730	36,590	146	13
2011	29,000	35,270	127	7
2012	28,750	33,895	65	1
2013	27,800	32,481	-	-
2014	29,265	31,121	-	-
2015 - 2019	159,060	133,377	-	-
2020 - 2024	141,370	94,338	-	-
2025 - 2029	112,620	66,044	-	-
2030 - 2034	114,460	38,872	-	-
2035 - 2039	103,335	10,447	-	-
	<u>\$ 773,390</u>	<u>512,435</u>	<u>338</u>	<u>21</u>

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
2010	\$ 2,695	3,731	6,050	3,458	17,000	28,673
2011	2,785	3,607	6,310	3,192	17,820	27,840
2012	2,880	3,504	5,380	2,905	18,680	26,956
2013	2,980	3,388	3,310	2,647	19,610	26,007
2014	3,085	3,263	3,425	2,506	20,595	25,010
2015 - 2019	17,325	14,014	19,260	10,051	119,325	108,427
2020 - 2024	21,365	9,604	20,710	5,235	97,430	79,359
2025 - 2029	23,110	4,128	6,930	1,729	82,580	60,187
2030 - 2034	4,880	384	4,905	684	104,675	37,804
2035 - 2039	-	-	-	-	103,335	10,447
	<u>\$ 81,105</u>	<u>45,623</u>	<u>76,280</u>	<u>32,407</u>	<u>601,050</u>	<u>430,710</u>

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Long-term liability activity for the year ended August 31, 2009, was as follows (in thousands of dollars):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Bonds and Leases Payable:					
General Bonds	\$ 56,760	-	(4,320)	52,440	4,110
Tax Allocation Bonds	10,071	4,001	(716)	13,356	958
Tax Supported Bonds	61,750	-	(2,365)	59,385	1,730
Tax Supported Antelope Valley					
Project Bonds	7,900	-	(635)	7,265	660
Capital Leases	28,574	2,500	(2,980)	28,094	3,198
Gross Bonds and Leases Payable	165,055	6,501	(11,016)	160,540	10,656
Deferred Amounts:					
For Issuance Premiums	2,771	25	(98)	2,698	-
For Issuance Discounts	(24)	-	1	(23)	-
Net Bonds and Leases Payable	167,802	6,526	(11,113)	163,215	10,656
Other Liabilities:					
Compensated Absences	11,773	7,281	(6,400)	12,654	6,780
Construction Contracts	5,687	229	(679)	5,237	231
Claims and Judgements	6,673	21,357	(19,466)	8,564	4,683
Net Pension Obligation	4,432	-	(449)	3,983	-
Net OPEB Obligation	323	388	-	711	-
Governmental Activity Long-Term Liabilities	\$ 196,690	35,781	(38,107)	194,364	22,350
<b>Business-Type Activities:</b>					
Bonds and Leases Payable:					
Wastewater Revenue Bonds	\$ 83,725	-	(2,620)	81,105	2,695
Water Revenue Bonds	66,655	15,420	(5,795)	76,280	6,050
Parking Revenue Bonds	12,170	-	(1,360)	10,810	1,435
Golf Course Revenue Bonds	1,050	-	(335)	715	350
Solid Waste Management Revenue Bonds	3,625	-	(195)	3,430	200
Electric System Revenue Bonds	614,050	-	(13,000)	601,050	17,000
Capital Leases	478	-	(140)	338	146
Gross Bonds and Leases Payable	781,753	15,420	(23,445)	773,728	27,876
Deferred Amounts:					
For Issuance Premiums	21,342	-	(2,766)	18,576	-
For Issuance Discounts	(14,090)	(36)	1,777	(12,349)	-
For Refunding	(3,069)	-	432	(2,637)	-
Net Bonds and Leases Payable	785,936	15,384	(24,002)	777,318	27,876
Other Liabilities:					
Compensated Absences	1,527	1,083	(967)	1,643	1,004
Construction Contracts	6,374	2,736	(3,659)	5,451	2,012
Claims and Judgements	1,202	3,848	(4,049)	1,001	251
Net OPEB Obligation	95	24	-	119	-
Accrued Landfill Closure/Postclosure Care Costs	9,934	414	(552)	9,796	-
Business-Type Activity Long-Term Liabilities	\$ 805,068	23,489	(33,229)	795,328	31,143

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 with impact fee collections. The claims and judgements 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.

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Long-term liability activity for the major enterprise funds for the year ended August 31, 2009, was as follows (in thousands of dollars):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Lincoln Wastewater System:</b>					
Bonds Payable:					
Wastewater Revenue Bonds	83,725	-	(2,620)	81,105	2,695
Deferred For Issuance Premiums	1,888	-	(94)	1,794	-
Deferred For Issuance Discounts	(11)	-	1	(10)	-
Net Bonds Payable	85,602	-	(2,713)	82,889	2,695
Other Liabilities:					
Compensated Absences	509	335	(329)	515	330
Construction Contracts	4,324	1,955	(3,390)	2,889	117
Total Long-Term Liabilities	\$ 90,435	2,290	(6,432)	86,293	3,142
<b>Lincoln Water System:</b>					
Bonds Payable:					
Water Revenue Bonds	\$ 66,655	15,420	(5,795)	76,280	6,050
Deferred for Issuance Premiums	2,517	-	(337)	2,180	-
Deferred For Issuance Discounts	-	(36)	-	(36)	-
Deferred for Refunding	(537)	-	136	(401)	-
Net Bonds Payable	68,635	15,384	(5,996)	78,023	6,050
Other Liabilities:					
Compensated Absences	701	439	(382)	758	381
Construction Contracts	2,050	781	(269)	2,562	1,895
Total Long-Term Liabilities	\$ 71,386	16,604	(6,647)	81,343	8,326
<b>Lincoln Electric System:</b>					
Bonds Payable:					
Electric System Revenue Bonds	\$ 614,050	-	(13,000)	601,050	17,000
Deferred for Issuance Premiums	16,927	-	(2,335)	14,592	-
Deferred for Issuance Discounts	(14,079)	-	1,776	(12,303)	-
Deferred for Refunding	(2,516)	-	292	(2,224)	-
Net Bonds Payable	614,382	-	(13,267)	601,115	17,000
Other Liabilities:					
Claims and Judgements	1,202	3,848	(4,049)	1,001	251
Total Long-Term Liabilities	\$ 615,584	3,848	(17,316)	602,116	17,251

**(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, and funds for which legally adopted annual budgets are not established. A reconciliation for the year ended August 31, 2009, 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	Federal Grants Fund
Net Change in Fund Balances:			
Balance on a GAAP basis	\$ (223,557)	(1,749,329)	1,811,440
Basis differences (accruals) occur because the cash basis of accounting used for budgeting differs from the modified accrual basis of accounting prescribed for governmental funds.	1,441,608	1,091,224	(1,410,862)
Amount budgeted on a project basis.	-	8,798,288	-
Balance on a budget basis	\$ 1,218,051	8,140,183	400,578

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**(11) DEFICIT NET ASSETS**

The following funds had a net asset or fund balance deficit as of August 31, 2009:

Special Revenue - Impact Fees Fund	\$ (48,868)
Enterprise - Emergency Medical Services Fund	(102,193)
Internal Service - Engineering Revolving Fund	(335,509)

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

The Emergency Medical Services Fund deficit is expected to be reduced by increasing revenues with improved rate schedules and decreasing operating expenses.

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 funds had expenditures for which there were no appropriations:

General Fund	
Street Lighting	\$ 1,347,513
Debt Service	45,723

**(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.



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Membership of the pension plan consisted of the following at August 31, 2009, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	402
Terminated plan members entitled to but not yet receiving benefits	27
Active plan members (non-DROP)	553
DROP members	47
Total	<u>1029</u>
Number of participating employers	<u>1</u>

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 2009 was 9.99% of annual covered payroll. Actual contributions by the City were 10.7% 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	\$ 3,316
Interest on net pension obligation	332
Adjustment to annual required contribution	<u>(525)</u>
Annual pension cost	3,123
Contributions made	<u>3,572</u>
Decrease in net pension obligation	(449)
Net pension obligation beginning	<u>4,432</u>
Net pension obligation ending	<u>\$ 3,983</u>

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
2009	\$ 3,123	\$ 3,572	114 %	\$ 3,983
2008	3,907	3,456	88	4,432
2007	3,905	3,494	89	3,981

Actuarial Methods and Assumptions – The annual required contribution for the current year was determined as part of the August 31, 2007, 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 four 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 ten years.

Funded Status and Funding Progress – As of August 31, 2009, the most recent actuarial valuation date, the plan was 95 percent funded. The actuarial accrued liability for benefits was \$187,292,000, and the actuarial value of assets was \$177,526,000, resulting in an unfunded actuarial accrued liability (UAAL)

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of \$9,766,000. The covered payroll (annual payroll of active employees covered by the plan) was \$33,450,000, and the ratio of the UAAL to the covered payroll was 29.2 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 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, administered by LES. LES' contribution is equal to 200% of the employees' contributions, which range from 2% to 5% of gross wages. The administrative board of directors authorized this plan and related contribution requirements. 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, 2008, LES incurred contribution expense of approximately \$3,092,000 (9.6% of covered payroll) and its employees contributed approximately \$2,068,000 (6.4% 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 the City to contribute 6% of the first \$4,800 of earned income plus 12% of earned income over \$4,800 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, 2008, was \$1,788,512. City contributions totaled \$201,463 or 11.3% of covered payroll. There were no employee contributions made for the year ended December 31, 2008.

#### 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 3% of earnings on the first \$4,800 and 6% on the balance of earnings. Currently, the City contributes 200% of the employees' contributions. Employee forfeitures are used to reduce employer contributions. Employees covered by the Plan may also make voluntary contributions. During the year ended December 31, 2008, total payroll was approximately \$74,440,000 and covered payroll was approximately \$65,321,000. City contributions totaled \$7,262,377 or 11.1% of covered payroll and employee contributions totaled \$3,731,432 or 5.7% of covered payroll. Employees made \$32,572 in voluntary contributions for the year ended December 31, 2008.

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

Plan Description – The City offers employees and their families the opportunity to continue their health care coverage when there is a qualifying event, such as retirement, that would result in a loss of coverage under the City’s plan. Each qualified beneficiary pays the entire cost of premiums for the continuous coverage. The City recognizes as OPEB the implicit rate subsidy provided to retirees when their premium is the “full cost” of the insurer’s charge for the active population. Since the retirees have higher costs, the premium they pay is not expected to cover their costs, and the difference is essentially covered by the City’s payment for active employees. The City 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, 2009, was calculated as follows:

(Dollar amounts in thousands)

Annual required contribution	\$ 662
Interest on net OPEB obligation	19
Adjustment to annual required contribution	<u>(25)</u>
Annual OPEB cost	656
Contributions made	<u>(244)</u>
Increase in net OPEB obligation	412
Net OPEB obligation beginning	<u>418</u>
Net OPEB obligation ending	<u><u>\$ 830</u></u>

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
August 31			
2009	\$ 656,000	37.2 %	\$ 830,000
2008	662,000	36.9	418,000

Funded Status and Funding Progress – As of September 1, 2007, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial liability for benefits was \$5,662,000 and the actuarial value of assets was zero, resulting in an unfunded actuarial liability (UAL) of \$5,662,000. Annual covered payroll was approximately \$106,787,000, and the ratio of the UAL to the covered payroll was 5.3%.

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.

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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, 2007, actuarial valuation, the unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% discount rate and an annual healthcare cost trend rate of 7.74% initially, reduced by decrements to an ultimate rate of 4.42% after 10 years. Participation assumptions include 60% of eligible civilian members and 40% of eligible Fire/Police members electing coverage, also assuming that 50% of those who elect coverage will cover a spouse as well. The plan's unfunded actuarial accrued liability is being amortized as a level dollar amount. The remaining amortization period at September 1, 2007 was 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 \$1,275,000.

**(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 2008 tax levy, for the 2008-2009 fiscal year, was \$76,225,407 below the legal limit, with a tax rate per \$100 valuation of \$0.2879. The assessed value upon which the 2008 levy was based was \$15,935,572,737.

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 2008-2009 are recorded as revenue in the fund financial statements when expected to be collected within 60 days after August 31, 2009. 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.

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**(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, 2009, the City had a self-insured retention for workers' compensation exposures up to \$500,000 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 \$500,000 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 \$8,563,477 were recorded at August 31, 2009. Excluding medical care claims approximating \$1,692,000, 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 3.89% discount rate. The City has purchased no annuity contracts in the current fiscal year to resolve City of Lincoln claims.

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The following is a summary of the changes in the estimated claims liability for the years ended August 31, 2009 and 2008:

<u>2009</u>	Worker's Compensation and Others	Long-Term Disability	Health and Dental	Total
Balance at September 1	\$ 4,745,000	559,821	1,367,981	6,672,802
Current year claims and changes in estimates	3,816,000	110,933	17,430,160	21,357,093
Claims payments	(2,294,000)	(65,984)	(17,106,434)	(19,466,418)
Balance at August 31	\$ <u>6,267,000</u>	<u>604,770</u>	<u>1,691,707</u>	<u>8,563,477</u>

<u>2008</u>	Worker's Compensation and Others	Long-Term Disability	Health and Dental	Total
Balance at September 1	\$ 4,359,000	605,509	1,390,997	6,355,506
Current year claims and changes in estimates	2,867,000	(3,778)	17,737,105	20,600,327
Claims payments	(2,481,000)	(41,910)	(17,760,121)	(20,283,031)
Balance at August 31	\$ <u>4,745,000</u>	<u>559,821</u>	<u>1,367,981</u>	<u>6,672,802</u>

**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 \$100,000 per individual. Total accrual and payment history is shown below:

	<u>2008</u>	<u>2007</u>
Balance beginning of year	\$ 1,202,000	1,727,000
Claims accrued	3,848,000	3,268,000
Claims paid/other	(4,049,000)	(3,793,000)
Balance end of year	\$ <u>1,001,000</u>	<u>1,202,000</u>

**(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, 2009, approximately 97% of the full-time, regular City's employees are represented by a Union. The existing union contracts will expire in August 2010.

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

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

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The City of Lincoln owns a solid waste disposal area which discontinued operations in 1990, but still requires certain closure and postclosure care, including the construction of final cover, monitoring of groundwater conditions and landfill gas migration, and general site maintenance. While accrual of closure and postclosure care costs has been reflected in the financial statements in the current year, 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 for reimbursement of eligible infrastructure construction. After construction is substantially complete, the developer will be reimbursed based upon the anticipated expenditure appropriations or collection of directed impact fees within the development area. As of August 31, 2009, the City's commitment to developers is estimated to be approximately \$59,000,000.

STREET CONSTRUCTION PROJECTS

The City's Street Construction Capital Projects Fund has commitments under major construction contracts in progress of approximately \$4,000,000 as of August 31, 2009, which will be financed primarily through highway user fees, bond proceeds, federal and state grants, and developer contributions.

LINCOLN WASTEWATER SYSTEM

The Lincoln Wastewater System has commitments under major construction contracts in progress of approximately \$2,300,000 at August 31, 2009.

LINCOLN WATER SYSTEM

The Lincoln Water System has commitments under major construction contracts in progress of approximately \$4,000,000 as of August 31, 2009.

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 \$6,700,000 in 2008. 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 FAS 71. 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 \$17,300,000 in 2008.

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 \$18,000,000, \$18,300,000, \$18,100,000, \$25,700,000, and \$22,100,000, respectively, in each of the five years subsequent to December 31, 2008.

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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 \$30,000,000 are reflected in utility plant at December 31, 2008.

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 2008, LES billed the County approximately \$3,000,000 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 \$100 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 is appealing the decision.

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 the recently completed 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 of 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 under the 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 on its books.

**(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, 2009, the City had incurred a liability of approximately \$6,753,000 for the municipal solid waste landfill which represents the amount of costs reported to date based on the approximately 45 percent of landfill capacity used to date. The remaining estimated liability for these costs is approximately \$8.1 million, which will be recognized as the remaining capacity is used (estimated to be approximately 24 years).

As of August 31, 2009, the City had incurred a liability of approximately \$534,000 for the construction and demolition debris landfill which represents the amount of costs reported to date based on the



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approximately 50 percent of landfill capacity used to date. The remaining estimated liability for these costs is approximately \$527,000, which will be recognized as the remaining capacity is used (estimated to be approximately 15 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, 2009, a liability for closure and postclosure care costs is recorded in the amount of approximately \$2,509,000, 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, 2009.

**(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 \$84,671,000 for the Water System and \$92,571,000 for the Wastewater System based on borrowing rates currently available as of August 31, 2009.

*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 Parks and Recreation and Public Works/Utilities Departments. The Golf Division of the Parks and Recreation Department operates the City's golf courses and is accounted for in the Golf Fund. 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, 2009, is presented as follows:

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	Golf	Parking Facilities	Solid Waste Management
<b>CONDENSED STATEMENT OF NET ASSETS</b>			
Assets:			
Current Assets, excluding Due from Other Funds	\$ 64,670	5,912,028	11,033,019
Due from Other Funds	23,516	372,530	649,316
Restricted Assets	393,108	2,604,268	903,543
Deferred Charges	17,372	303,781	64,745
Capital Assets	5,624,724	35,931,775	19,075,588
Total Assets	<u>6,123,390</u>	<u>45,124,382</u>	<u>31,726,211</u>
Liabilities:			
Current Liabilities, excluding Due to Other Funds	800,722	2,354,419	1,932,095
Due to Other Funds	333,599	294	253
Noncurrent Liabilities	591,938	9,375,355	13,080,528
Total Liabilities	<u>1,726,259</u>	<u>11,730,068</u>	<u>15,012,876</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	4,924,312	26,943,167	16,186,844
Restricted	105,653	1,023,848	404,022
Unrestricted	(632,834)	5,427,299	122,469
Total Net Assets	<u>\$ 4,397,131</u>	<u>33,394,314</u>	<u>16,713,335</u>
<b>CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS</b>			
Operating Revenues	\$ 3,129,150	6,614,715	5,128,698
Depreciation Expense	(582,151)	(1,124,306)	(1,718,280)
Other Operating Expenses	(2,516,538)	(2,874,768)	(4,482,819)
Operating Income (Loss)	30,461	2,615,641	(1,072,401)
Nonoperating Revenues (Expenses):			
Investment Earnings	4,088	399,535	556,979
Loss on Disposal of Capital Assets	-	(44,950)	(191,713)
Occupation Tax	-	-	1,978,659
Interest Expense and Fiscal Charges	(71,734)	(666,409)	(150,993)
Capital Contributions	23,165	-	239,988
Transfers	(4,500)	(834,575)	(870,970)
Change in Net Assets	(18,520)	1,469,242	489,549
Beginning Net Assets	4,415,651	31,925,072	16,223,786
Ending Net Assets	<u>\$ 4,397,131</u>	<u>33,394,314</u>	<u>16,713,335</u>
<b>CONDENSED STATEMENT OF CASH FLOWS</b>			
Net Cash Provided (Used) by:			
Operating Activities	\$ 635,919	3,701,572	633,419
Noncapital Financing Activities	(161,418)	(1,033,619)	1,541,283
Capital and Related Financing Activities	(531,771)	(2,859,053)	(3,068,644)
Investing Activities	22,193	583,192	1,479,273
Net Increase (Decrease) in Cash	(35,077)	392,092	585,331
Beginning Balance	153,092	1,698,532	2,673,105
Ending Balance	<u>\$ 118,015</u>	<u>2,090,624</u>	<u>3,258,436</u>

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**(21) PLEDGED REVENUES**

The City has pledged future revenues derived from the operation of the Lincoln Wastewater System, net of operating and maintenance expenses, to repay \$93,460,000 in wastewater revenue bonds. Proceeds from the bonds 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 bonds are 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 bonds is \$126,727,846, with annual payments expected to require 59 percent of net revenues. Principal and interest paid for the current year and net system revenues were \$6,440,044 and \$10,871,979, respectively.

The City has pledged future revenues derived from the operation of the Lincoln Water System, net of operating and maintenance expenses, to repay \$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 \$108,687,485, with annual payments expected to require 70 percent of net revenues. Principal and interest paid for the current year and net system revenues were \$8,923,414 and \$12,843,110, 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 \$1,031,760,000, with annual payments expected to require 55 percent of net revenues. Principal and interest paid for the current year and net system revenues were \$43,649,000 and \$86,251,000, respectively.

The City has pledged future revenues derived from the operation of the Lincoln Golf Courses, net of operating expenses, to repay \$3,165,000 in golf revenue refunding bonds. Proceeds from the bonds provided financing for refunding \$3.3 million of 1991 Golf Course Revenue Bonds. The bonds are payable solely from the net earnings of the municipal golf courses and are payable through 2011. The total principal and interest remaining to be paid on the bonds is \$758,565, with annual payments expected to require 73 percent of net revenues. Principal and interest paid for the current year and net system revenues were \$376,848 and \$616,700, 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 \$19,510,000 in parking revenue bonds. Proceeds from the bonds provided financing for construction and improvements to the parking system, as well as refunding \$8,755,000 of Series 1994 A & C parking revenue bonds. The bonds are payable solely from the net earnings of the Parking System and are payable through 2022. The total principal and interest remaining to be paid on the bonds is \$13,388,332, with annual payments expected to require 50 percent of net revenues. Principal and interest paid for the current year and net system revenues were \$1,984,394 and \$4,139,482, 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 \$4,502,737, with annual payments expected to require 15 percent of net revenues. Principal and interest paid for the current year and net system revenues were \$343,225 and \$3,181,517, 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, 2009, the City made rental payments of approximately \$2.4 million to the Commission.

As of August 31, 2009, the Commission has bonds outstanding of \$43,960,000 attributable to several bond issues. Certain proceeds from the bonds totaling \$26,725,000 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 estimated that the City occupies approximately 73% of the new building and 35% of the renovated building (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.

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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, 2009, total assets of JAVA reached approximately \$179 million, an increase of \$22 million from the prior year. The City's equity interest increased by approximately \$22 million to \$150 million.

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

**(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 twenty-year 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 interruptible commercial rate. The total amount of payments to LES for management, operations, and maintenance services was approximately \$265,000 in 2008. The total amount of payments to LES for energy was approximately \$101,000 in 2008.

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 \$88,000 in 2008. The total amount of payments to LES for energy was approximately \$9.0 million in 2008.

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**Required Supplementary Information**  
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**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, 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
August 31, 2005	145,730	151,978	6,248	95.9	29,029	21.5
August 31, 2004	136,974	144,179	7,205	95.0	28,125	25.6

**Schedule of Employer Contributions for PFDP Pension**

(dollar amounts in thousands)

Year Ended August 31	Annual Required Contribution	Annual Pension Contribution	Percentage Contributed
2009	\$ 3,316	\$ 3,572	108 %
2008	4,076	3,456	85
2007	4,056	3,494	86
2006	4,077	2,893	71
2005	3,684	2,562	70
2004	3,297	1,992	60

**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, 2007	\$ 0	\$ 5,662	\$ 5,662	0.0 %	\$ 106,787	5.3 %

## **APPENDIX C**

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

## APPENDIX C

### DEFINITIONS AND SUMMARIES OF CERTAIN PRINCIPAL DOCUMENTS

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

#### Definitions

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

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

**“Architect”** means Sinclair Hille, Lincoln, Nebraska, or any other architect or engineer hired by the City with respect to the Project.

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

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

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

**“Basic Rent Payment Date”** means each May 1 and November 1 during the Lease Term, commencing on May 1, 2011.

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

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

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

**“Certificates”** means the Series 2010B Certificates and any Additional Certificates.

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



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

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

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

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

**“Contract”** means one of any agreements between the City and various parties, if any, providing for the acquisition and installation of various portions of the Equipment.

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

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

**“Declaration of Trust”** means the Declaration of Trust dated October 27, 2010, made by the Trustee, as the same may from time to time be amended or supplemented in accordance with its terms.

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

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

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

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

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

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

**“Government Obligations”** means (a) direct noncallable obligations of the United States of America and obligations the timely payment of principal and interest on which is fully and

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

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

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

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

**"Lease"** means the Lease Purchase Agreement, dated October 27, 2010, between the Trustee, as lessor, and the City, as lessee, as amended and supplemented from time to time in accordance with its terms.

**"Lease Revenue Fund"** means the Lease Revenue Fund so designated and established pursuant to the Declaration of Trust.

**"Lease Revenues"** means the Basic Rent Payments, Supplemental Rent Payments and all other amounts due and owing pursuant to or with respect to the Lease, including prepayments, insurance proceeds, condemnation proceeds, and any and all interest, profits or other income derived from the investment thereof in any fund or account established pursuant to the Declaration of Trust.

**"Lease Term"** means the term of the Lease beginning October 27, 2010 and ending on November 1, 2025, unless earlier terminated in accordance with the provisions hereof.

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

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

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

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

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

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

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

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

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

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

**“Project”** means the Project Site, together with the remodeling, renovation, equipping and furnishing of the buildings and facilities thereon.

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

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

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

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

**“Record Date”** means the last day of the month (whether or not a Business Day) prior to the applicable Basic Rent Payment Date.

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

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

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

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

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

**“Series 2010B Certificates”** means the \$[Principal Amount] aggregate principal amount Certificates of Participation, Series 2010B, evidencing a proportionate interest in Basic Rent Payments to be made by The City of Lincoln, Nebraska, pursuant to a Lease Purchase Agreement, executed and delivered pursuant to the Declaration of Trust.

**“Site Lease”** means the Site Lease dated October 27, 2010, between, the City, as lessor, and the Trustee, as lessee.

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

**“State”** means the State of Nebraska.

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

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

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

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

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

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

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

## **SUMMARY OF THE DECLARATION OF TRUST**

### **General Provisions**

The Declaration of Trust is made by the Trustee. The Declaration of Trust authorizes the Trustee to execute and deliver the Series 2010A Certificates, provides the terms of the Series 2010A Certificates and provides for various Funds related to the Equipment and the Lease.

### **Trust Estate**

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

### **Additional Certificates**

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

### **Establishment of Funds**

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

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

### **Application of Lease Revenues**

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

- (a) The Basic Rent shall be deposited to the Lease Revenue Fund.
- (b) Optional prepayments of the Principal Portion of Basic Rent (in amounts equal to the applicable Prepayment Price) shall be deposited to the Lease Revenue Fund.

(c) Payments of Supplemental Rent pursuant to the Lease shall be applied as provided in the Lease.

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

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

Payment shall be made from money in the Project Fund upon receipt by the Trustee of a requisition certificate therefor signed by an Authorized Representative of the City, and except for requisitions for Costs of Issuance, an architect, engineer or contractor (which architect, engineer or contractor will not be an employee of the City). The Completion Date of the Project and the payment of all Costs of the Project (other than Costs of the Project for which sufficient amounts are retained in the Project Fund) shall be evidenced by the filing with the Trustee of the Completion Certificate pursuant to the Lease. As soon as practicable any balance remaining in the Project Fund shall be transferred and deposited without further authorization as provided in the Lease. In the event of the acceleration of all of the Certificates pursuant to the Lease, any money then remaining in the Project Fund shall be transferred and deposited to the credit of the Lease Revenue Fund and shall be used to pay the Interest Portion and Principal Portion of Basic Rent.

### **Application of Money in the Lease Revenue Fund**

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

### **Rebate Fund**

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

### **Investment of Money in Various Funds**

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

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

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

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

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

## **Defaults**

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

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

## **Acceleration**

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

## **Other Remedies Upon an Event of Default**

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

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

## **Rights of Certificate Owners**

If an Event of Default has occurred and is continuing and if instructed to do so by a Directive and if indemnified as provided in the Declaration of Trust, the Trustee shall be obligated to exercise such one or more of the rights and the remedies conferred thereunder as the Trustee, upon the advice of counsel, shall deem to be in the interests of the Certificate Owners.

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



## **Defeasance**

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

## **The Trustee**

The Trustee shall, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Declaration of Trust. The Trustee will, during the existence of any Event of Default, exercise such of the rights and powers vested in it by the Declaration of Trust, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

The Trustee may be removed at any time by a Directive or shall resign at any time the Trustee shall cease to be eligible in accordance with the Declaration of Trust, or shall become incapable of acting, or shall be adjudged as bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the property or affairs for the purpose of rehabilitation, conservation or liquidation, and thereupon a successor Trustee shall be appointed by a Directive. Written notice of any removal or resignation pursuant to this paragraph shall be given by the Trustee to the City.

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

## **SUMMARY OF THE LEASE**

### **General**

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

### **Lease Term**

The term of the Lease begins October 27, 2010 and ends on November 1, 2025, unless earlier terminated in accordance with the provisions thereof.

## **Obligations Unconditional**

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

## **Net Lease**

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

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

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

## **Completion Date; Excess Funds**

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

Fund that are not needed to pay any remaining Costs of the Project shall be transferred to the Lease Revenue Fund.

### **Enjoyment of the Project**

The Trustee shall provide the City during the Lease Term with quiet use and enjoyment of the Project, and the City shall during the Lease Term peaceably and quietly have, hold and enjoy the Project, without suit, trouble or hindrance from the Trustee, except as expressly set forth in the Lease. The City shall have the right to use the Project for any essential governmental or proprietary purpose of the City, subject to the limitations contained in the Lease.

### **Basic Rent**

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

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

### **Supplemental Rent**

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

### **Increased Basic Rent**

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

### **Disclaimer of Warranties**

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

## **Deficiency of Project Fund**

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

## **Impositions**

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

## **Contest of Impositions**

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

## **Insurance**

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

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

concerned, the insurance required by clause (b) below in lieu of the insurance required by this clause (a) to the extent appropriate.

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

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

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

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

### **Enforcement of Contract and Surety Bonds**

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

### **Maintenance and Modification of Project by the City**

The City will at its own expense (a) keep the Project in a safe condition, (b) with respect to the Project, comply with all applicable health and safety standards and all other industrial requirements or restrictions enacted or promulgated by the State, or any political subdivision or agency thereof, or by the government of the United States of America or any agency thereof, and (c) keep the Project in good repair and in good operating condition and make from time to time all necessary repairs thereto and renewals and replacements thereof; provided, however, that the City will have no obligation to operate, maintain, preserve, repair, replace or renew any element or unit of the Project the maintenance, repair, replacement or renewal of which becomes uneconomical to the City because of damage, destruction or obsolescence, or change in economic or business conditions, or change in government standards and regulations. The

City shall not permit or suffer others to commit a nuisance in or about the Project or itself commit a nuisance in connection with its use or occupancy of the Project. The City will pay all costs and expenses of operation of the Project.

The City may, also at its own expense, make from time to time any additions, modifications or alterations to the Project that it may deem desirable for its business purposes and that do not materially impair the structural strength or effective use, or materially decrease the value, of the Project. All additions, modifications or alterations made by the City pursuant to the authority of the Lease shall (a) be made in a workmanlike manner and in strict compliance with all laws and ordinances applicable thereto, (b) when commenced, be pursued to completion with due diligence and (c) when completed, be deemed a part of the Project.

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

### **Damage, Destruction and Condemnation**

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

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

### **Purchase Option**

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

(a) On or after November 1, 2020, upon payment in full of Rent Payments then due under the Lease plus a Purchase Price equal to 100% of the remaining Principal Portions of Basic Rent for the Lease Term, plus Interest Portions of Basic Rent accrued to the prepayment date.

(b) Upon deposit of money or Government Obligations or both with the Trustee in accordance with the Declaration of Trust in the amount necessary to provide for the Basic Rent Payments until and on, and the Purchase Price calculated as described in (a) above on the Certificates, to the prepayment date, which will be on or after November 1, 2020.

## **Partial Prepayment**

The City will have the option to prepay the Basic Rent Payments in part, upon giving written notice to the Trustee at least 30 days before the date of such prepayment, at any time on or after November 1, 2020, at the Prepayment Price equal to the Principal Portion of Basic Rent being so prepaid plus the Interest Portion of Basic Rent accrued thereon to such Basic Rent Payment Date.

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

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

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

## **Events of Default**

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

(a) Failure by the City to make any deposits required by **Section 4.01** to pay Basic Rent in the Lease Revenue Fund at the time specified herein;

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

(c) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Lease, other than as referred to in **Sections 12.01(a)** or **(b)** above, for a period of 30 days after written notice specifying such failure and requesting that it be remedied is given to the City by the Trustee, unless the Trustee will agree in writing to an extension of such time prior to its expiration; provided that, if the failure stated in the notice cannot be corrected within the applicable period, the Trustee will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the City within the applicable period and diligently pursued until the default is corrected;

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

(e) Any provision of the Lease or the Site Lease at any time for any reason ceases to be valid and binding on the City, or is declared null and void, or the validity or enforceability thereof is contested

by the City or any governmental agency or authority if the loss of such provision would materially adversely affect the rights or security of the Trustee; or

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

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

### **Remedies on Default**

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

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

(b) With or without terminating the Lease, the Trustee may take possession of the Project (in which event the City will take all actions necessary to authorize, execute and deliver to the Trustee for the remainder of the Trustee's leasehold term under the Site Lease all documents necessary to vest in the Trustee for the remainder of the Trustee's leasehold term under the Site Lease all of the City's interest in the Project), and sell the Trustee's interest in the Project or lease the Project or, for the account of the City, sublease the Project, continuing to hold the City liable for the difference between (1) the Rent payable by the City under the Lease for the Lease Term, and (2) the net proceeds of any such sale, leasing or subleasing (after deducting all expenses of the Trustee in exercising its remedies under the Lease, including, without limitation, all expenses of taking possession, removing, storing, reconditioning, and selling or leasing or subleasing the Project and all brokerage, auctioneers and attorneys' fees and expenses);

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

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



## **APPENDIX D**

### **BOOK-ENTRY SYSTEM**

## BOOK-ENTRY SYSTEM

The Series 2010B Certificates are available in book-entry form and beneficial ownership interests therein may be purchased in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Series 2010B Certificates will not receive certificates representing their interests in the Series 2010B Certificates.

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

DTC will act as securities depository for the Series 2010B Certificates. The Series 2010B Certificates will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Series 2010B Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest 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 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“**Direct Participants**”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (“**NSCC**,” “**FICC**,” and “**EMCC**,” also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of the Series 2010B Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2010B Certificates on DTC’s records. The ownership interest of each actual purchaser of each Series 2010B Certificate (“**Beneficial Owner**”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction.

Transfers of ownership interests in the Series 2010B Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2010B Certificates, except in the event that use of the book-entry system for the Series 2010B Certificates is discontinued.

To facilitate subsequent transfers, all Series 2010B Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2010B Certificates with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2010B Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2010B Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2010B Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Series 2010B Certificate documents. For example, Beneficial Owners of the Series 2010B Certificates may wish to ascertain that the nominee holding the Series 2010B Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2010B Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2010B Certificates unless authorized by a Direct Participant in accordance with DTC's 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 the Series 2010B Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of principal or redemption price of and interest on the Series 2010B Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detailed information from the City or the Registrar, on the payment 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, its nominee, the Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal or redemption price of and interest on the Series 2010B Certificates to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Registrar. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2010B Certificates at any time by giving reasonable notice to the City or the Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2010B Certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2010B Certificates will be printed, registered in the name of DTC's partnership nominee, Cede & Co. (or such other name as may be requested by an authorized representative of DTC), and delivered to DTC (or a successor securities depository), to be held by it as securities depository for Direct Participants. If, however, the system of book-entry transfers has been discontinued and a Direct Participant has elected to withdraw its Series 2010B Certificates from DTC (or such successor securities depository), Series 2010B Certificates may be delivered to Beneficial Owners upon compliance with DTC's withdrawal procedures then in effect.

**APPENDIX E**

**FORM OF OPINION OF  
SPECIAL TAX COUNSEL**

[FORM OF OPINION OF SPECIAL TAX COUNSEL]

November 17, 2010

The City of Lincoln, Nebraska  
Lincoln, Nebraska

Union Bank and Trust Company, Trustee  
Lincoln, Nebraska

UBS Financial Services  
New York, New York

Re: \$7,780,000 Certificates of Participation, Series 2010B, evidencing proportionate interests in Basic Rent Payments to be made by The City of Lincoln, Nebraska

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Ladies and Gentlemen:

We have acted as special tax counsel in connection with a transaction involving the above-captioned Certificates of Participation (the "Certificates"), evidencing proportionate interests of the owners thereof in Basic Rent Payments to be made by The City of Lincoln, Nebraska (the "City") under a Lease Purchase Agreement, dated November 17, 2010 (the "Lease"), between Union Bank and Trust Company, a state banking corporation (the "Trustee"), and the City. Capitalized terms used herein and not otherwise defined herein will have the meanings assigned to such terms in the Lease.

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

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

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

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

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

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

3. The interest portion of each Basic Rent Payment represented by the Certificates is excluded from gross income for federal and Nebraska income tax purposes, is not an item of tax preference for purposes of federal alternative minimum tax imposed on individuals and corporations, and is not taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinions set forth in this paragraph are subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the execution and delivery of the Lease and the Certificates in order that the interest portions of Basic Rent Payments represented by the Certificates be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with all of these requirements. Failure to comply with certain of such requirements may cause the inclusion of such interest portions of Basic Rent Payments in gross income for federal and Nebraska income tax purposes retroactive to the date of execution and delivery of the Lease. The City's obligation to pay Basic Rent Payments under the Lease has not been designated as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code. We express no opinion regarding other federal tax consequences arising with respect to the Certificates.

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

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

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

Very truly yours,