

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

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

*In the opinion of Gilmore & Bell, P.C., Special Tax Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), (a) the Interest Portion of Basic Rent Payments paid by the City and distributed to the registered owners of the Series 2011B Certificates (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, (b) the Interest Portion of Basic Rent Payments is exempt from Nebraska income taxation by the State of Nebraska, and (c) the Series 2011B Certificates have not been designated a "qualified tax-exempt obligations within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. See "TAX MATTERS" in this Official Statement.*

**OFFICIAL STATEMENT  
\$4,600,000  
CERTIFICATES OF PARTICIPATION  
SERIES 2011B  
Evidencing Proportionate Interests of the Owners  
Thereof in Basic Rent Payments to be Made by  
THE CITY OF LINCOLN, NEBRASKA  
as Lessee pursuant to a Lease Purchase Agreement with Union Bank and Trust Company, as Lessor**

**Dated: date of delivery**

**Due: September 15, as shown below**

The Series 2011B 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 2011B Certificates. Purchases of the Series 2011B 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 2011B Certificate purchases. So long as Cede & Co. is the registered owner of the Series 2011B 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 2011B Certificates. Interest Portions of Basic Rent represented by the Series 2011B Certificates are payable semiannually on March 15 and September 15 of each year, to and including the date of maturity or prepayment, whichever is earlier, beginning March 15, 2012.

The Series 2011B Certificates evidence the ownership of proportionate interests in, and rights to receive payments under, a Lease Purchase Agreement dated November 30, 2011 (the "Lease"), between Union Bank and Trust Company, a state banking corporation (the "Trustee"), as lessor, and The City of Lincoln, Nebraska (the "City"), as lessee. The Series 2011B Certificates are executed and delivered pursuant to a Declaration of Trust dated November 30, 2011, made by the Trustee. Neither the Series 2011B 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 2011B Certificates or the Basic Rent Payments.

The Series 2011B Certificates are subject to optional prepayment prior to maturity as described herein. See "THE SERIES 2011B CERTIFICATES OF PARTICIPATION - Prepayment."

The Series 2011B 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."

<b>Maturity (September 15)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP Number (534266)</b>
2012	\$595,000	2.000%	0.60%	101.103%	EK3
2013	595,000	2.000	0.72	102.274	EL1
2014	595,000	2.000	1.00	102.745	EM9
2015	605,000	2.000	1.32	102.506	EN7
2016	350,000	2.000	1.56	102.022	EP2
2017	355,000	2.000	1.77*	101.051	EQ0
2018	360,000	2.000	2.00	100.000	ER8
2019	370,000	2.250	2.26	99.927	ES6
2020	385,000	2.375	2.51	98.939	ET4
2021	390,000	2.625	2.65	99.783	EU1

\*Yield to date of earliest optional redemption

*The Series 2011B 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 Confer, City Attorney. It is expected that the Series 2011B Certificates in definitive form will be available for delivery at The Depository Trust Company in New York, New York, on or about November 30, 2011.*

**BAIRD**

**Ameritas Investment Corp.**  
has acted as Financial Advisor

The date of this Official Statement is November 16, 2011.

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

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

### **Mayor**

Chris Beutler

### **City Council**

Eugene Carroll (Chair)

Jon Camp  
Jonathan Cook  
Doug Emery

Carl Eskridge  
Adam Hornung  
DiAnna Schimek

### **City Administration**

Steve Hubka .....	Interim 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
Miki Esposito .....	Interim Public Works and Utilities Director
Judith Halstead .....	Health Director
Mark Koller .....	Personnel Director
Thomas Casady .....	Public Safety Director
Fred Hoke .....	Building and Safety Director

Peggy Tharnish, City Controller

### **UNDERWRITER**

Robert W. Baird & Co. Incorporated  
Winston-Salem, North Carolina

### **FINANCIAL ADVISOR**

Ameritas Investment Corp.  
Lincoln, Nebraska

### **SPECIAL TAX COUNSEL**

Gilmore & Bell, P.C.  
Lincoln, Nebraska

### **LESSOR AND TRUSTEE**

Union Bank and Trust Company  
Lincoln, Nebraska

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

No dealer, broker, sales representative or other person has been authorized by the City, the Financial Advisor or the Underwriter to give any information or to make any representations with respect to the Series 2011 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 2011 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 Financial Advisor or 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 2011 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 2011B 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 2011B CERTIFICATES ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION.

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## OFFICIAL STATEMENT

**\$4,600,000**

### **CERTIFICATES OF PARTICIPATION**

#### **SERIES 2011B**

**Evidencing Proportionate Interests of the Owners**

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

**THE CITY OF LINCOLN, NEBRASKA**

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

**Union Bank and Trust Company, as lessor**

## INTRODUCTION

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

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

This Official Statement, including the cover page and the appendices hereto (the **“Official Statement”**), is provided to furnish information with respect to the sale and delivery of certificates of participation in the aggregate principal amount of \$4,600,000 (the **“Series 2011B Certificates”**), representing the proportionate interests of the owners thereof (the **“Certificate Owners”**) in basic rent payments (the **“Basic Rent Payments”**) to be made by The City of Lincoln, Nebraska (the **“City”**), as the rental payments and purchase price of the interest of Union Bank and Trust Company, a state banking corporation, as lessor (the **“Trustee”**), in the hereinafter defined Project, pursuant to a Lease Purchase Agreement, dated November 30, 2011 (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 lessor, 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 (the **“Real Property”**) on which the Golf Improvements (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, 2010, TOGETHER WITH AUDITOR’S REPORT THEREON.”**

### **Plan of Financing**

The proceeds received from the sale of the Series 2011B Certificates will be used to (a) pay the costs of (1) acquiring (A) street lights and related improvements and (B) computer software to be used by the City in connection with the issuance of permits by the City, together with all replacements, repairs and additions incorporated therein or affixed thereto (collectively, the **“Personal Property”**) and (2) acquiring, constructing, equipping and furnishing a new clubhouse and related facilities and equipment (the **“Golf Improvements”**); the Personal Property, the Golf Improvements and the Real Property are

referred to collectively as the **“Project”**), and (b) pay certain costs related to the execution and delivery of the Series 2011B Certificates.

Pursuant to the terms and conditions of the Lease and the Declaration of Trust, the Trustee and the City have agreed that the Trustee will pay, from proceeds of the sale of the Series 2011B Certificates, the cost of the Project.

The Series 2011B Certificates are payable solely from the Basic Rent Payments to be paid by the City under the Lease and, to the extent received by the Trustee, net proceeds of certain insurance policies, condemnation awards or proceeds from the liquidation of interests in the Project.

### **The Financing Documents**

The Trustee will lease the Project, with the option to purchase, 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 30, 2011 of the Certificates, and ends on September 15, 2021, the date of the final maturity of the Certificates. The City is authorized to enter into the Lease pursuant to Ordinance No. 19636 passed by the Council on October 17, 2011 and approved by the Mayor on October 20, 2011 (the **“Ordinance”**).

The Series 2011B Certificates are being executed and delivered pursuant to a Declaration of Trust dated the date of delivery (the **“Declaration of Trust”**), made by the Trustee. Neither the Certificates nor the Basic Rent Payments are obligations of the Trustee, and the Trustee has no liability or obligation under or with respect to the Certificates or the Basic Rent Payments.

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

### **Financial Statements**

The audited financial statements of the City for Fiscal Year ended August 31, 2010, are included in **APPENDIX B** hereto. The financial statements in **APPENDIX B** have been audited by BKD, LLP, Lincoln, Nebraska, independent auditors, whose report thereon is also included in **APPENDIX B** hereto.

### **Continuing Disclosure**

The City agrees in a Continuing Disclosure Undertaking dated the date of delivery thereof (the **“Disclosure Undertaking”**) 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”**), beginning May 1, 2012, and to provide notices of the occurrence of certain enumerated events, if deemed by the City to be material. See **“CONTINUING DISCLOSURE.”** The City is the only “obligated person” with responsibility for continuing disclosure. The City is current in its continuing disclosure reporting and is in compliance with all prior undertakings.

### **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, the Declaration of Trust and the Disclosure



Undertaking 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, 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 2011B Certificates are qualified in their entirety by the definitive terms thereof and the information with respect thereto included in the Lease, the Declaration of Trust and the Disclosure Undertaking. 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 2011B CERTIFICATES OF PARTICIPATION**

### **General Provisions**

The Series 2011B Certificates are dated the date of delivery thereof, and will mature on September 15, 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 2011B Certificates will be delivered in the denomination of \$5,000 each or any integral multiple thereof in book-entry form. Purchases of the Series 2011B Certificates will be made in book-entry only form in the denomination of \$5,000 or any integral multiple thereof. Purchasers of the Series 2011B Certificates will not receive certificates representing their interests in the Series 2011B Certificates purchased. Each Series 2011B 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 2011B Certificate Owners. Principal Portions of Basic Rent will be payable on September 15 of each year beginning September 15, 2012. Interest Portions of Basic Rent shall be payable semiannually on March 15 and September 15 of each year, beginning March 15, 2012, 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 2011B Certificates.

While the Series 2011B 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 2011B 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 2011B Certificates.

Interest Portions of Basic Rent represented by the Series 2011B Certificates shall be payable by check or draft of the Trustee mailed to the Series 2011B Certificate Owners at the address of each Series 2011B Certificate Owner shown on the registration books maintained by the Trustee as of the close of business on the last 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 2011B 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 Certificates will be payable (whether at maturity or upon prepayment or acceleration) by check or draft to the Owners of such Certificates upon presentation and surrender of such Certificates at the designated corporate trust office of the Trustee.

## **Transfer and Exchange**

While the Series 2011B 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 2011B Certificates, transfers may be effected as described below.

Books for the registration and transfer of the Series 2011B Certificates are to be kept by the Trustee, as registrar. Upon surrender for transfer of any Series 2011B 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 2011B Certificate of the same maturity or maturities, interest rate and tenor as the Series 2011B Certificates surrendered. Series 2011B Certificates may be exchanged at the principal payment office of the Trustee for an equal aggregate principal amount of Series 2011B Certificates of the same maturity or maturities, interest rate and tenor as the Series 2011B Certificate surrendered. All Series 2011B 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 2011B Certificate after such Series 2011B Certificate has been called for prepayment.

The person in whose name any Series 2011B 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 2011B Certificate will be made only to or upon the written order of the registered owner thereof or his legal representative.

The Series 2011B 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 2011B Certificates may be transferred at the principal payment office of the Trustee. Series 2011B Certificates may be exchanged for Series 2011B 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 2011B Certificates, the Trustee shall make a charge to the Series 2011B 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**

***Optional Prepayment.*** The Series 2011B Certificates maturing on September 15, 2017, and thereafter are subject to optional prepayment, as a whole or in part, at any time on or after September 15, 2016, at the prepayment price of 100% of the Principal Portion of Basic Rent being prepaid set forth below, plus Interest Portions of Basic Rent accrued to the prepayment date.

***Notice of Prepayment.*** Unless otherwise provided in the Declaration of Trust, notice of prepayment shall be given by the Trustee, not less than 30 days nor more than 60 days prior to the prepayment date, to the City and the Owner of each Series 2011B 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 2011B Certificates to be prepaid. Such notice shall also state that the Interest Portion of the Basic Rent represented by the Series 2011B 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 such Series 2011B Certificates.

So long as the book-entry only system is used for the Series 2011B 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 2011B 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 2011B 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 2011B Certificates being held by the Trustee, on the prepayment date designated in such notice, the Series 2011B 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 2011B Certificates so called for prepayment shall cease to accrue, said Series 2011B Certificates shall cease to be entitled to any benefit or security under the Declaration of Trust and the Owners of such Series 2011B 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 Certificates. The ownership of one fully registered 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 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 Certificates may experience some delay in their receipt of distributions of the principal or redemption price of and interest on the 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 Certificates can only be effected through DTC, DTC Participants and certain banks, the ability of a Beneficial Owner to pledge Certificates to persons or entities that do not participate in the Book-Entry System, or otherwise to take actions in respect of such 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 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

The Nebraska Legislature (the **"Legislature"**) has enacted legislation intended to reduce the level of expenditures and property taxes by political subdivisions in the State. Sections 13-518 to 13-522, inclusive, Reissue Revised Statutes of Nebraska, as amended, and related sections (collectively, the **"Budget Limitations"**), limit the increase of certain restricted funds that may be budgeted by governmental units such as the City. Such restricted funds include property taxes, sales taxes and other funding sources comprising approximately 75% of funding sources used to fund the City's tax supported budget, but exclude restricted funds pledged to retire bonded indebtedness. The Budget Limitations currently provide for an annual increase of a base limitation of 2.5% or the percentage increase in the property tax base provided by new construction, improvements to existing property, annexations and new personal property added to the property tax base, whichever is greater. The base limitation is subject to review by the Legislature from year to year and may be exceeded by an additional 1% upon an affirmative vote of at least 75% of the governing body. The Budget Limitations are enforced through the office of the Auditor of Public Accounts of the State and State aid may be withheld from governmental units that fail to comply. The Budget Limitations do not apply to the revenues of proprietary funds except to the extent such revenues are used for general fund purposes.

For the 2011-2012 fiscal year, the City was permitted to increase its appropriation of restricted funds under the Budget Limitations by 2.5%. Unused restricted fund authority from prior years can be carried over into future fiscal years to use in addition to the annual increases allowed. As of August 31, 2011, the City had accumulated \$18,279,327 of unused restricted funds authority which would be available for future fiscal years.

The Legislature has also enacted Section 77-3442, Reissue Revised Statutes of Nebraska, as amended, and related sections (collectively, the **"Levy Limitations"**), to provide overall limitations on the property tax levies of political subdivisions, including the City. The Levy Limitations expressly exclude any property taxes levied for bonded indebtedness. The maximum levy for the City is presently set at 45¢ per \$100 of taxable valuation with an additional 5¢ per \$100 of taxable valuation available to provide for the City's share of revenue required under any agreement executed by the City with another governmental unit pursuant to the Interlocal Cooperation Act or the Joint Public Agency Act. The City's current levy

(excluding its bond levy) is 27.87¢ per \$100 of taxable valuation on all the taxable property within the City.

Future legislation, decisions of the Nebraska Supreme Court, or initiative petitions proposed and passed by qualified voters in the State may alter the Budget Limitations and the Levy Limitations, or may otherwise modify the sources of and limitations on the revenues used by governmental units in the State to finance their activities.

## **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 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 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 Certificates and the Lease is subject to applicable bankruptcy laws, equitable principles affecting the enforcement of creditors rights generally and liens securing such rights, and the police powers of the State and its political subdivisions. The Project is appropriate for use only as part of the City’s recreational facilities, a street lighting system and in connection with the issuance of permits by the City. Because of such limited use, and the delays inherent in obtaining the remedies involving such property, a potential purchaser of the 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 Certificates or nonpayment of the Certificates after expenditures of any amount on deposit in the Reserve Fund.

### **Effects on the Tax Exemption of the 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 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 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 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 Certificates in such event will be excludable from gross income for federal income tax purposes.

## **THE PROJECT**

### **Description of the Project**

The Project consist of:

(a) ***Street Light Improvements*** – light poles and related equipment, such as light fixtures, wiring, and other items necessary to complete the installation of new street lights in newly developed residential and commercial areas as well as replace, rebuild and relocate street lights in established areas.

(b) ***Computer Software Improvements*** – acquisition, installation and implementation of computer software to be used by the City's Development Service Center in connection with the issuance of various permits and business licenses to provide citizen access and communication, a geographic information system, licensing and case management, document management, land use management, inspection information, and fee assessment and collection.

(c) ***Golf Improvements*** – The clubhouse at the Holmes Golf Course is now approximately 40 years old and is both undersized and deficient of ADA accommodations. The structure has deteriorated to a condition that requires its replacement in order to continue providing safe, efficient and inviting operations. The architectural firm of Erickson Sullivan Architects has been selected to provide professional services for design of a replacement facility that is anticipated to be located in the same general location as the old clubhouse so as to best accommodate golf course operations. Design of the replacement facility will include evaluation of alternative building types to determine the most cost effective and efficient approach to constructing a new clubhouse. This analysis is anticipated to focus on built-in-place construction versus the use of a pre-fabricated structure.

The replacement facility may include a gathering space large enough to accommodate approximately 150 people, space for a pro shop/merchandise display, a control area where golfers can be checked in and pay for services and restrooms for both male and female guests. In addition, it should provide lounge space for serving food and beverages. In total, it is estimated that the new structure will be a total of about 7,000 square feet and building materials will be selected for their durability and minimal maintenance requirements. Design of the supporting mechanical systems and building fixtures will also focus on long-term durability and high energy efficiencies to the extent feasible in relation to the construction budget.

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## ESTIMATED SOURCES AND USES OF FUNDS

The sources and application of funds in connection with the execution of the Series 2011B Certificates, exclusive of accrued interest, are estimated, based upon certain assumptions regarding the investment of such funds, as follows:

### Sources of Funds:

Certificate Principal Amount	\$4,600,000.00
Plus: Net Original Issue Premium	<u>57,194.00</u>
Total Sources of Funds	<u>\$4,657,194.00</u>

### Applications of Funds:

Street Light Improvement Costs	\$2,062,194.00
Golf Improvement Costs	1,520,000.00
Software Improvement Costs	1,000,000.00
Costs of Issuance*	<u>95,000.00</u>
Total Applications of Funds	<u>\$4,657,194.00</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 2011B Certificates:

<u>Year Ending September 15</u>	<u>Principal Portion</u>	<u>Interest Portion</u>	<u>Total</u>
2012	\$595,000.00	\$76,638.29	\$671,638.29
2013	595,000.00	84,906.26	679,906.26
2014	595,000.00	73,006.26	668,006.26
2015	605,000.00	61,106.26	666,106.26
2016	350,000.00	49,006.26	399,006.26
2017	355,000.00	42,006.26	397,006.26
2018	360,000.00	34,906.26	394,906.26
2019	370,000.00	27,706.26	397,706.26
2020	385,000.00	19,381.26	404,381.26
2021	<u>390,000.00</u>	<u>10,237.50</u>	<u>400,237.50</u>
Totals	<u>\$4,600,000.00</u>	<u>\$478,900.87</u>	<u>\$5,078,900.87</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 2011B 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 2011B Certificates or to any decision to purchase, hold or sell the Series 2011B 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 Continuing Disclosure Undertaking for the benefit of the owners and Beneficial Owners of the Series 2011B 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” within the meaning of the Rule with responsibility for continuing disclosure. The City is current in its continuing disclosure reporting and is in compliance with all prior undertakings.

**Annual Reports.** Pursuant to the Continuing Disclosure Undertaking, the City shall, not later than **May 1** of each year, beginning May 1, 2012, provide to the Municipal Securities Rulemaking Board (“**MSRB**”) the following financial information and operating data (the “**Annual Report**”):

(a) The audited financial statements of the City for the prior fiscal year, prepared in accordance with generally accepted accounting principles. If audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement relating to the Series 2011B 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 the financial information and operating data relating to the City contained in **APPENDIX A** of this Official Statement in substantially the same format contained in this Official Statement.

**Material Event Notices.** Pursuant to the Continuing Disclosure Undertaking, not later than 10 business days after the occurrence of any of the following events, the City shall also give, or cause a dissemination agent to give, notice of the occurrence of any of the following events with respect to the Series 2011B Certificates (“**Material Events**”):

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions; the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2011B Certificates, or other material events affecting the tax status of the Series 2011B Certificates;
- (7) modifications to rights of owners of the Series 2011B Certificates, if material;



- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Series 2011B Certificates, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the City;
- (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) appointment of a successor or additional trustee or the change of name of the trustee, if material.

If the City has not submitted the Annual Report to the MSRB by the date specified above, the City shall send a notice to the MSRB of the failure of the City to file the Annual Report on a timely basis, which notice shall be given by the City in accordance with the above procedures.

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

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

In the event of a failure of the City or any dissemination agent to comply with any provision of the Continuing Disclosure Undertaking, any owner or Beneficial Owner of the Series 2011B Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or any dissemination agent, as the case may be, to comply with its obligations under the Continuing Disclosure Undertaking. A default under the Continuing Disclosure Undertaking shall not be deemed an event of default under the Ordinance, and the sole remedy under the Continuing Disclosure Undertaking in the event of any failure of the City or any dissemination agent to comply with the Continuing Disclosure Undertaking shall be an action to compel performance.

***Electronic Municipal Market Access System (EMMA).*** All Annual Reports and notices of Material Events required to be filed by the City or the dissemination agent pursuant to the Continuing Disclosure Undertaking must be submitted to the MSRB through the MSRB's Electronic Municipal Market Access system ("EMMA"). EMMA is an internet-based, online portal for free investor access to municipal bond information, including offering documents, material event notices, real-time municipal securities trade prices and MSRB education resources, available at [www.emma.msrb.org](http://www.emma.msrb.org). Nothing contained on EMMA relating to the City or the Series 2011B Certificates is incorporated by reference in this Official Statement.

## **RATING**

Moody's Investors Service has assigned the Series 2011B 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 Certificates.

## **LITIGATION**

The Transcript of Proceedings will contain a certificate of non-litigation dated as of the closing 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 2011B Certificates or the constitutionality or validity of the obligation represented by the Series 2011B Certificates or the means provided for the Basic Rent Payments under the Lease.

## **TAX MATTERS**

The following is a summary of the material federal and State of Nebraska income tax consequences of holding and disposing of the Series 2011B Certificates. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of owners subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the Series 2011B Certificates as a capital asset, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, and foreign taxpayers), and, except for the income tax laws of the State of Nebraska, does not discuss the consequences to an owner under any state, local or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the Series 2011B Certificates in the secondary market. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Series 2011B Certificates.

### **Opinion of Special Tax Counsel**

In the opinion of Gilmore & Bell, P.C., Special Tax Counsel, under the law existing as of the issue date of the Series 2011B Certificates:

***Federal and Nebraska Tax Exemption.*** The Interest Portion of Basic Rent Payments paid by the City and distributed to the registered owners of the Series 2011B Certificates (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is exempt from income taxation by the State of Nebraska.

***Alternative Minimum Tax.*** The Interest Portion of Basic Rent Payments is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

***Bank Qualification.*** The Series 2011B Certificates have not been designated as “qualified tax-exempt obligations” for purposes of Section 265(b) of the Code.

Special Tax Counsel’s opinions are provided as of the date of the original issue of the Series 2011B Certificates, subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2011B Certificates in order that Interest Portion of Basic Rental Payments be, or continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of Interest Portion of Basic Rental Payments in gross income for federal and Nebraska income tax purposes retroactive to the date of issuance of the Series 2011B Certificates. Special Tax Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Series 2011B Certificates but has reviewed the discussion under **“TAX MATTERS.”**

## **Other Tax Consequences**

***Original Issue Discount.*** For federal income tax purposes, original issue discount (“**OID**”) is the excess of the stated redemption price at maturity of a Series 2011B Certificate over its issue price. The issue price of a Series 2011B Certificate is the first price at which a substantial amount of the Series 2011B Certificates of that maturity have been sold (ignoring sales to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers). Under Section 1288 of the Code, OID on tax-exempt obligations accrues on a compound basis. The amount of OID that accrues to an owner of a Series 2011B Certificate during any accrual period generally equals (1) the issue price of that Series 2011B Certificate, plus the amount of OID accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that Series 2011B Certificate (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (3) any interest payable on that Series 2011B Certificate during that accrual period. The amount of OID accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner’s tax basis in that Series 2011B Certificate. Prospective investors should consult their own tax advisors concerning the calculation and accrual of OID.

***Original Issue Premium.*** If a Series 2011B Certificate is issued at a price that exceeds the stated redemption price at maturity of the Series 2011B Certificate, the excess of the purchase price over the stated redemption price at maturity constitutes “premium” on that Series 2011B Certificate. Under Section 171 of the Code, the purchaser of that Series 2011B Certificate must amortize the premium over the term of the Series 2011B Certificate using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the owner’s basis in the Series 2011B Certificate and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the Series 2011B Certificate prior to its maturity. Even

though the owner's basis is reduced, no federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of premium.

***Sale, Exchange or Retirement of Series 2011B Certificate.*** Upon the sale, exchange or retirement (including redemption) of a Series 2011B Certificate, an owner of the Series 2011B Certificate generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale, exchange or retirement of the Series 2011B Certificate (other than in respect of accrued and unpaid interest) and such owner's adjusted tax basis in the Series 2011B Certificate. To the extent a Series 2011B Certificate is held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the Series 2011B Certificate has been held for more than 12 months at the time of sale, exchange or retirement.

***Reporting Requirements.*** In general, information reporting requirements will apply to certain payments of principal, interest and premium paid on the Series 2011B Certificates, and to the proceeds paid on the sale of the Series 2011B Certificates, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner's federal income tax liability.

***Collateral Federal Income Tax Consequences.*** Prospective purchasers of the Series 2011B Certificates should be aware that ownership of the Series 2011B 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 2011B Certificates. Special Tax Counsel expresses no opinion regarding these tax consequences. Purchasers of Series 2011B 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 2011B 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 2011B 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 Confer, City Attorney, Lincoln, Nebraska.

## **ADDITIONAL INFORMATION**

Additional information with respect to the City and the Series 2011B 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 2011B Certificate Owners.

This Official Statement has been approved by the City and is submitted only in connection with the sale of the Series 2011B Certificates and may not be reproduced or used in whole or in part for any other purpose.

**THE CITY OF LINCOLN, NEBRASKA**

By:                     /s/ Steve Hubka                      
Steve Hubka, Interim Finance Director

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## **APPENDIX A**

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

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# **THE CITY OF LINCOLN**

## **General**

Lincoln, the capital of Nebraska, is located in southeastern Nebraska near the center of population of the state. The City was originally incorporated in 1869. It is approximately midway between Chicago and Denver. It has an area of 90.48 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. Eppley 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	\$ 125,181,000	100.0 %	\$ 125,181,000
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	8,830,000	85.4	7,541,000
	<u>453,900,000</u>		<u>433,574,000</u>
Total	\$ <u>579,081,000</u>		\$ <u>558,755,000</u>

The City has no direct liability for the School District, Lower Platte South N.R.D., Lancaster County, Public Building Commission, Lancaster County Fairgrounds or Lancaster County Correctional Facility debt summarized above. This results in a per capita direct City debt of \$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 <sup>2</sup> Real Property	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>4,161,711</u>	<u>11,148,146</u>	<u>9,991,053</u>	<u>8,846,000</u>	<u>7,583,251</u>	<u>7,830,502</u>	<u>6,910,967</u>	<u>6,586,633</u>	<u>3,778,207</u>	<u>4,964,458</u>

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**APPENDIX B**

**FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR  
ENDED AUGUST 31, 2010, TOGETHER WITH AUDITORS' REPORT THEREON**

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**COMPREHENSIVE**  
**ANNUAL FINANCIAL REPORT**

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

**FOR THE FISCAL YEAR ENDED AUGUST 31, 2010**

Prepared by:

The Accounting Division of the Finance Department

## **INTRODUCTORY SECTION**

## OFFICIALS OF THE CITY OF LINCOLN

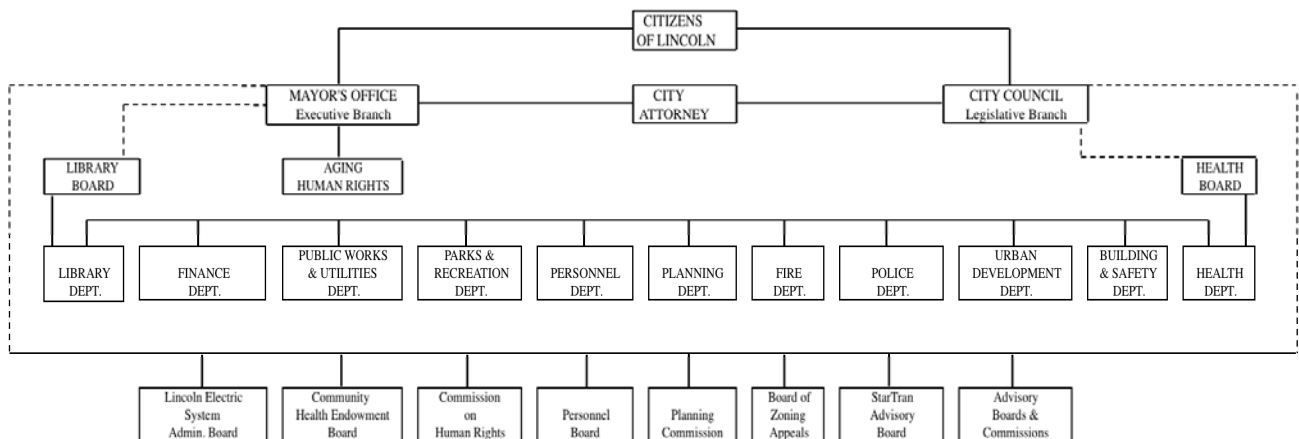
Chris Beutler .....	Mayor
John Spatz .....	Chair, City Council
Eugene Carroll.....	Vice Chair, City Council
Jon Camp.....	Council Member
Jonathan Cook.....	Council Member
Doug Emery .....	Council Member
Adam Hornung.....	Council Member
Jayne Snyder .....	Council Member

\* \* \* \* \*

Don Herz .....	Finance Director
Marvin Krout.....	Planning Director
Lynn Johnson .....	Parks and Recreation Director
Kevin Wailes .....	Lincoln Electric System Administrator
David Landis .....	Urban Development Director
Pat Leach .....	Library Director
Greg MacLean.....	Public Works/Utilities Director
Chuck Zimmerman.....	Interim Building and Safety Director
Judith Halstead .....	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, 2010  
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**INTRODUCTORY SECTION**

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# CITY OF LINCOLN NEBRASKA

MAYOR CHRIS BEUTLER

lincoln.ne.gov

Office of the Mayor  
555 South 10th Street  
Suite 301

Lincoln, Nebraska 68508

402-441-7511

fax: 402-441-7120

mayor@lincoln.ne.gov

February 23, 2011

Dear Citizens and Public Officials:

It is my pleasure to submit the City of Lincoln's Comprehensive Annual Financial Report for the fiscal year ended August 31, 2010.

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 2009 report submitted to the Government Finance Officers Association was recognized with the prestigious Certificate of Achievement for Excellence in Financial Reporting for the 27th consecutive year. This recognition is a credit to the City and a compliment to our dedicated Finance Department.

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

Sincerely,

Chris Beutler  
Mayor of Lincoln



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 23, 2011

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, 2010, is hereby submitted.

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

As a recipient of federal, state and local financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. The federal government, under the revised OMB Circular A-133, requires local governments that expend \$500,000 or more in federal funds in any fiscal year to have a financial and compliance audit performed. As part of the City's Single Audit, tests were made of the City's internal control structure over compliance and its compliance with applicable laws and regulations, including those related to major federal financial assistance programs. The Single Audit for the year ended August 31, 2010, 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, 2010, 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 254,000, and in its growth and development has annexed five other municipalities so that the City includes most of the urban area of Lancaster County. It enjoys a unique position in Nebraska as the center of the state's governmental and educational activities.

The City operates under a Home Rule Charter and has a Mayor-Council form of government with an elected full-time chief executive, the Mayor, and an elected legislative body, the Council, composed of seven members. Three Council members are elected at large and four by district on a nonpartisan basis for a term of four years. All legislative powers of the City are exclusively vested in the Council, as well as the power to adopt the budget, set the tax levy, and equalize taxes and assessments. The Mayor is responsible for the proper conduct of the affairs of the City, with the administration of City government performed under the direction of the Mayor through administrative departments.

The City of Lincoln provides a full range of services, including public safety (police and fire); the construction and maintenance of highways, streets, and other infrastructure; health; planning and zoning; golf courses, parks and recreation; urban development; mass transportation; ambulance transport; electric, water, and wastewater utilities; solid waste management; auditorium; parking facilities; and general administrative services.

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

The annual budget serves as the basis for the City of Lincoln's financial planning and control. Following public hearings and not later than five days prior to the beginning of the fiscal year, the budget is legally adopted by resolution of the City Council. Appropriation controls are required at the department level, however, as a matter of policy and practice, appropriations generally are controlled at the next level of organization (division) or by fund within a department. The Mayor has the authority to transfer balances within a department as well as lower appropriations in any fund where actual revenues are less than appropriated in order to avoid incurring a budget deficit for the year. Appropriation transfers between departments may only be authorized by resolution of the City Council. The Council may not make any appropriations in addition to those authorized in the annual budget, except in the event of an emergency threatening serious loss of life, health, or property in the community.

## **Economic Condition and Outlook**

Population growth is one of the best indicators of a community's economic well being. As such, the Lincoln metropolitan area's population growth during the past several years reflects a community that is economically viable and is strongly positioned to meet future challenges.

The Lincoln metropolitan area population base (Lancaster County) continues to demonstrate a pattern of sustained growth. According to the U. S. Census figures, the Lincoln metropolitan area population grew by 79.03 percent since 1960. Lancaster County's rate of growth between 2000 and 2009 has been 10.57 percent or approximately 1.3 percent per year. The 2009 population of Lancaster County has been estimated to be in excess of 281,000 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, 2010 was 3.9%, well below the national average of 9.6%, with employment strongest in the categories of government, educational & health services, and retail trade. Lincoln's current number of construction permits is down 23% when compared to levels 5 years ago, with a corresponding decrease in the value of construction permits of over \$123 million.

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

Net sales and use tax revenue increased \$1,025,376 or 1.9% from the previous fiscal year. In relation to this primary revenue source, the City is seeing slight signs of recovery from the negative economic factors that have affected the local and national economies.

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

### **Urban Development**

The City anticipates approximately \$19.5 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 and Havelock business areas, Focus Area neighborhoods, the South Capitol blight area, the Antelope Valley project area, West O, and in low-moderate income neighborhoods throughout the City.

Financing will be provided by a variety of sources, including Tax Increment Financing (TIF), Parking Revenues, CDBG, HOME, Economic Development Initiative, Neighborhood Stabilization Program (NSP) 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) Block 38 Catalyst One site.	6) Telesis/Meadow Gold project.
2) Former Douglas III/Civic Plaza site.	7) Haymarket Hotel and Tool House.
3) West Haymarket/Hotel project.	8) M Street Corridor planning.
4) North Haymarket Arts & Humanities Block.	9) P & Q Streets Corridor planning.
5) Block 85.	10) Centennial Mall project.
- 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) 19 <sup>th</sup> & 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, public parking lot improvements, and park improvements.
- University Place redevelopment of the former Green’s Plumbing site.
- West O Street redevelopment projects and historic DLD marker project.
- NW Corridor redevelopment (West Cornhusker Highway).
- Innovation Campus redevelopment.
- 84<sup>th</sup> and Havelock redevelopment.
- South Capitol redevelopment.
- Focus area projects 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, negotiation and relocation projects:
 

1) For effective transportation:	
✓ Antelope Valley transportation projects.	✓ Old Cheney Road, 70 <sup>th</sup> to 84 <sup>th</sup> Street.
✓ Antelope Valley redevelopment plan catalyst projects.	✓ Pine Lake Road, 59 <sup>th</sup> to Hwy 2.
✓ West Haymarket transportation projects.	✓ RTSD Quiet Zone project.
✓ Yankee Hill Roadway, 70 <sup>th</sup> to 84 <sup>th</sup> Street.	✓ East Beltway preliminary acquisitions.
✓ SW 40 <sup>th</sup> Street overpass.	✓ South Beltway preliminary acquisitions.
✓ 14 <sup>th</sup> Street, Superior to Alvo Road.	✓ Arterial rehab, executive order, traffic signal, and Federal Infrastructure Stimulus funded projects.
✓ 56 <sup>th</sup> Street, Old Cheney to Pine Lake Rd.	
2) For environmental quality:	
✓ Park sites city-wide.	✓ North 1 <sup>st</sup> Street, Cornhusker Hwy to Superior Street.
✓ Antelope Valley storm water projects.	✓ Conservation easements and wetlands acquisitions.
✓ Stevens Creek sanitary sewer Phase III.	✓ Additional projects made possible by Federal Infrastructure Stimulus funds.
✓ Yankee Hill water main, 56 <sup>th</sup> to 84 <sup>th</sup> Street.	
✓ 98 <sup>th</sup> Street water main, Holdrege to Alvo.	
✓ 56 <sup>th</sup> & Arbor Road sewer and water district projects.	

- 3) Relocation activities:
  - ✓ North 27<sup>th</sup> Street projects.
  - ✓ West Haymarket projects.
  - ✓ Antelope Valley projects.
- Workforce Investment Act funds received by the City provide employment skills to low-income adults and youth and also to individuals laid-off from area employers. Funding is provided for GED and Adult Basic Education instruction, secondary and post-secondary education, and placement in work experience and On-the-Job Training (OJT) with an emphasis on high wage and high demand occupations.

Services are provided from the Workforce Center located in the Gold's Building. Partner agencies co-located at the Center include Operation ABLE, Goodwill Industries, Vocational Rehabilitation, Nebraska Department of Labor, and Experience Works. Over 20,000 individuals and 500 employers use the Center annually.

Examples of specialized projects this year include:

- ✓ Targeted OJT projects for dislocated workers.
- ✓ "Pathways Out of Poverty" program providing basic skills and green building skills to low-income residents in north Lincoln.
- ✓ "The Metro SyNErgy" project in Lincoln and Omaha providing green building technology to unemployed and incumbent workers.
- ✓ Expanded job search assistance for laid-off workers affected by the TierOne Bank closure.
- ✓ Regional Innovation Network fostering collaboration of education, economic development and workforce development leaders in a twelve county southeast Nebraska area.

#### West Haymarket Project

The West Haymarket Redevelopment Project is a multi-facted endeavor to revitalize the 100 acres of underutilized property that lies on the western edge of Lincoln's downtown and Haymarket district. On May 11, 2010, the citizens of Lincoln voted to approve the issuance of arena bonds which signaled approval for the project to proceed. The project involves the relocation and elimination of existing railroad tracks and completion of other site preparation activities, the construction of a 16,000 seat civic arena, a community ice center, private retail and office space, a new Amtrak Station, residential units, surface and decked parking, public gathering areas, street and utility improvement, landscaping, trails and walkways, pedestrian bridges, and environmental enhancements. The overall project cost is estimated to be approximately \$340 million.

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

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

#### Antelope Valley Project

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

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

Projects completed include Fleming Field, Lewis Fields; Military, Y Street, and Vine Street bridges and



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

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

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

#### Wastewater System

The Lincoln Wastewater System is projecting a capital improvements program in the amount of approximately \$66,787,000 over the 6-year period of fiscal year 2010-11 through fiscal year 2015-16. Of that total, approximately \$45,629,000 will be financed by revenue bonds, approximately \$4,030,000 will be financed by impact fees, \$640,000 from TIF funding, with the remaining \$16,488,000 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 \$100,520,000 over the 6-year period of fiscal year 2010-11 through 2015-16. Of these dollars, approximately \$82,550,000 will be financed through revenue bonds, approximately \$4,530,000 will be financed from TIF funding, approximately \$5,020,000 will be financed through impact fees, with the balance of \$8,420,000 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 2011-2016 Streets and Highways capital improvements program and Transportation improvement program identify average annual expenditures of \$26 million for the next six years. Funding for these projects includes \$108 million in City revenues, \$25 million in federal aid, and \$23 million in other funds.

#### Infrastructure Impact Fees

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

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

#### Pension Costs

The City currently contributes \$2 for every \$1 contributed by employees in the civilian retirement plans. In an effort to control this significant budget item, the City and three of four civilian unions have agreed to change the plan to a \$1.29 to \$1 match for new employees hired after the effective date. The City is unable

to legally change the match for current employees. The City anticipates saving 20 to 25 percent in retirement costs for each employee hired under this new arrangement, with the first actual match reduction occurring in February, 2011.

### **Property Tax Collections**

As of August 31, 2010, current tax collections by the County Treasurer were 96.60% of the tax levy, a decrease of .15% from last year. Allocations of property tax levy by purpose are as follows:

<u>City Tax Levy by Purpose</u>	<u>2009-2010</u>	<u>2008-2009</u>	<u>2007-2008</u>
General Fund	.1772	.1806	.1778
Library	.0398	.0396	.0404
Social Security	.0097	.0129	.0134
Police and Fire Pension	.0251	.0201	.0203
General Obligation Debt	<u>.0361</u>	<u>.0347</u>	<u>.0360</u>
	<u>.2879</u>	<u>.2879</u>	<u>.2879</u>

### **Parking Facilities**

The City of Lincoln operates the following parking garages:

<u>Facility</u>	<u>Number of Stalls</u>	<u>Date Opened</u>
Center Park	1,048	November, 1978
Cornhusker Square	405	December, 1983
University Square	436	April, 1990
Que Place	773	October, 1994
Carriage Park	710	February, 1995
Market Place	433	August, 2000
Haymarket	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>2009-2010</u>	<u>2008-2009</u>
Operating Revenues	\$ 6,747,738	6,614,715
Operating Income Before Depreciation	3,407,137	3,739,947
Debt Service	1,998,056	1,998,056
Debt Service Coverage Ratio	1.71	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, 2010, the City estimates that it will incur costs approximating \$20 million to adhere to such requirements (see Note 18 of Notes to the Financial Statements).

### **Water and Wastewater System**

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

<u>Wastewater System</u>	<u>2009-2010</u>	<u>2008-2009</u>
Operating Revenues	\$21,703,427	21,142,579
Operating Income	2,875,498	1,782,499
Revenue Available For Debt Service	10,807,502	10,871,979
Debt Service	6,426,444	6,440,044
Debt Service Coverage Ratio	1.68	1.69

The City's Water Utility System showed a decrease 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>2009-2010</u>	<u>2008-2009</u>
Operating Revenues	\$25,135,127	25,692,203
Operating Income	3,881,476	3,769,225
Revenue Available For Debt Service	12,424,175	12,843,110
Debt Service	9,508,097	8,923,414
Debt Service Coverage Ratio	1.31	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, 2009, is included in the City's August 31, 2010, financial statements.

### **Certificate of Achievement**

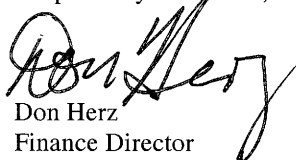
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lincoln, Nebraska, for its comprehensive annual financial report for the fiscal year ended August 31, 2009. This was the twenty-seventh consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

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

### **Acknowledgments**

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

Respectfully submitted,

  
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, 2009

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



President

Executive Director



## **FINANCIAL SECTION**

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lincoln, Nebraska (the City) as of and for the year ended August 31, 2010, 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 59%, 33% 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, 2009, and in our report dated February 24, 2010, 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and street construction fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.



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.

BKD, LLP

February 23, 2011



## **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, 2010. 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, 2010, by \$1,546,569,783 (net assets). Of this amount, \$308,220,460 (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 \$37,572,599. Of this amount, \$16,434,072, or 44 percent, was an increase in governmental activities and \$21,138,527, or 56 percent, related to business-type activities.
- As of August 31, 2010, the City's governmental funds reported combined ending fund balances of \$186,888,572, a decrease of \$(3,878,503) in comparison with the prior year. Of this total fund balance, 58 percent, or \$108,395,395, is available for spending at the City's discretion (unreserved fund balance).
- As of August 31, 2010, unreserved fund balance for the general fund was \$25,701,931, or 25 percent of total general fund expenditures.
- The City's total bonded debt decreased by \$35,188,000 (3.9 percent) during the current fiscal year. The City issued no additional bonded debt in the current year.

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

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

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

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

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

The statement of activities presents information showing how the City's net assets changed during the year ended August 31, 2010. 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 West Haymarket JPA fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

Proprietary funds – The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its parking facilities and lots; golf courses; auditorium; solid waste management; ambulance services; and wastewater, water, and electric systems. Internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its data processing, engineering, insurance, fleet management, telecommunications, and copy services. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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

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

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

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

#### **NOTES TO THE FINANCIAL STATEMENTS**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-69 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 \$1,546,569,783 at August 31, 2010.

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, 2010 and 2009**

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and Other Assets	\$ 398,115,532	388,695,310	246,650,963	242,568,924	644,766,495	631,264,234
Capital Assets	622,796,373	614,765,299	1,417,922,340	1,410,398,966	2,040,718,713	2,025,164,265
Total Assets	1,020,911,905	1,003,460,609	1,664,573,303	1,652,967,890	2,685,485,208	2,656,428,499
Long-Term Liabilities Outstanding	189,192,032	194,364,099	773,188,114	795,328,460	962,380,146	989,692,559
Other Liabilities	21,147,269	14,957,978	155,388,010	142,780,778	176,535,279	157,738,756
Total Liabilities	210,339,301	209,322,077	928,576,124	938,109,238	1,138,915,425	1,147,431,315
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	482,099,420	471,161,398	598,053,416	583,202,962	1,080,152,836	1,054,364,360
Restricted	121,155,820	111,672,739	37,040,667	37,782,662	158,196,487	149,455,401
Unrestricted	207,317,364	211,304,395	100,903,096	93,873,028	308,220,460	305,177,423
Total Net Assets	\$ 810,572,604	794,138,532	735,997,179	714,858,652	1,546,569,783	1,508,997,184

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, 2010, 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.

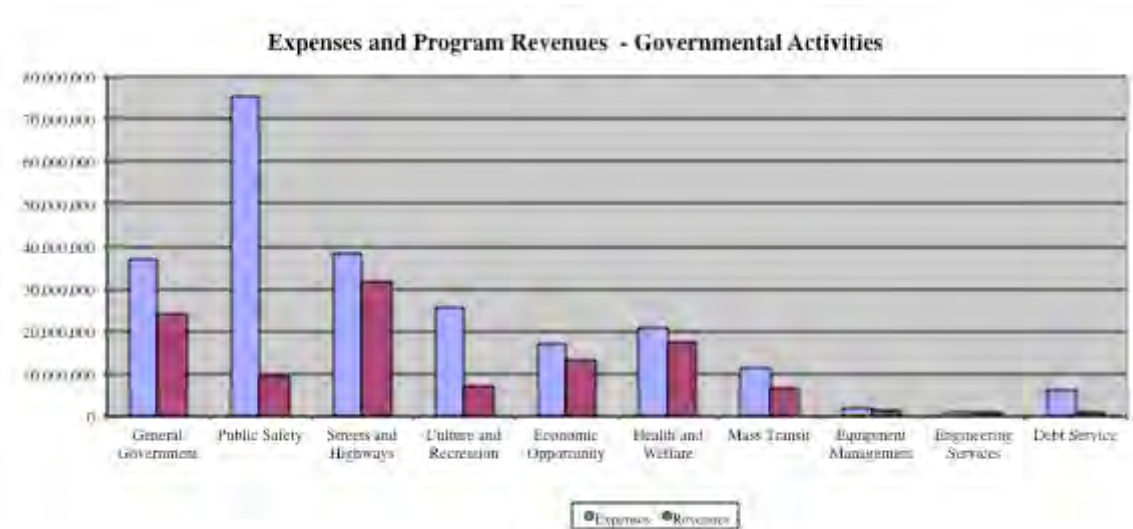
**City Of Lincoln**  
**Condensed Statements of Activities**  
**For the Years Ended August 31, 2010 and 2009**

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charges for Services	\$ 41,701,425	41,844,680	313,690,349	315,614,846	355,391,774	357,459,526
Operating Grants and Contributions	55,013,696	50,412,504	-	-	55,013,696	50,412,504
Capital Grants and Contributions	16,171,192	25,746,780	5,767,531	11,025,070	21,938,723	36,771,850
General Revenues:						
Property Tax	48,637,701	49,370,031	-	-	48,637,701	49,370,031
Sales and Use Tax	55,362,688	54,337,312	-	-	55,362,688	54,337,312
Other Taxes	26,668,385	25,609,164	1,984,400	1,978,659	28,652,785	27,587,823
Unrestricted Grants and Contributions	2,006,071	1,542,816	-	-	2,006,071	1,542,816
Unrestricted Investment Earnings	1,926,976	5,181,996	1,673,103	4,680,958	3,600,079	9,862,954
Other	793,365	844,591	893,109	152,522	1,686,474	997,113
Total Revenues	248,281,499	254,889,874	324,008,492	333,452,055	572,289,991	588,341,929
Expenses:						
General Government	36,991,820	31,985,923	-	-	36,991,820	31,985,923
Public Safety	75,364,591	75,077,334	-	-	75,364,591	75,077,334
Streets and Highways	38,150,193	31,465,735	-	-	38,150,193	31,465,735
Culture and Recreation	25,713,710	28,998,338	-	-	25,713,710	28,998,338
Economic Opportunity	17,198,314	14,851,021	-	-	17,198,314	14,851,021
Health and Welfare	20,840,847	19,592,758	-	-	20,840,847	19,592,758
Mass Transit	11,198,681	11,059,139	-	-	11,198,681	11,059,139
Equipment Management	1,767,774	2,562,842	-	-	1,767,774	2,562,842
Engineering Services	829,470	1,859,008	-	-	829,470	1,859,008
Interest on Long-Term Debt	6,373,674	6,503,466	-	-	6,373,674	6,503,466
Parking	-	-	5,475,157	5,007,885	5,475,157	5,007,885
Golf Courses	-	-	3,165,446	3,170,423	3,165,446	3,170,423
Auditorium	-	-	2,243,518	1,937,132	2,243,518	1,937,132
Solid Waste Management	-	-	10,607,775	6,543,805	10,607,775	6,543,805
Ambulance Transport	-	-	3,819,895	3,687,450	3,819,895	3,687,450
Wastewater	-	-	22,265,579	22,979,974	22,265,579	22,979,974
Water	-	-	23,469,948	23,794,190	23,469,948	23,794,190
Electric	-	-	229,241,000	237,476,000	229,241,000	237,476,000
Total Expenses	234,429,074	223,955,564	300,288,318	304,596,859	534,717,392	528,552,423
Increase in Net Assets Before Transfers	13,852,425	30,934,310	23,720,174	28,855,196	37,572,599	59,789,506
Transfers	2,581,647	2,275,892	(2,581,647)	(2,275,892)	-	-
Increase in Net Assets	16,434,072	33,210,202	21,138,527	26,579,304	37,572,599	59,789,506
Net Assets - Beginning	794,138,532	760,928,330	714,858,652	688,279,348	1,508,997,184	1,449,207,678
Net Assets - Ending	\$ 810,572,604	794,138,532	735,997,179	714,858,652	1,546,569,783	1,508,997,184

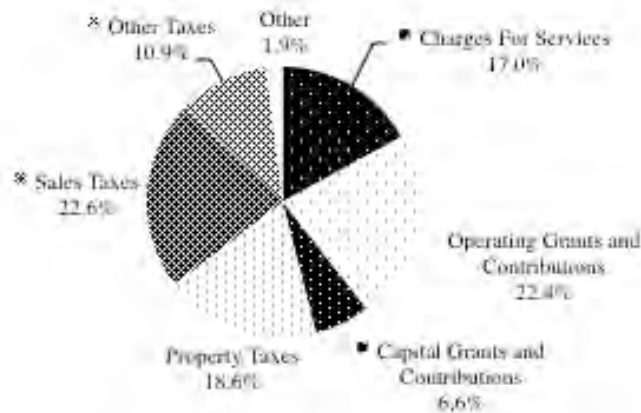
**GOVERNMENTAL ACTIVITIES**

Governmental activities increased the City's net assets by \$16,434,072, accounting for 44 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 \$2,783,720, of which a significant portion is federally funded.
- Sales taxes increased by approximately \$1.0 million (1.9 percent) during 2010 after showing a decrease of 1.8% in the prior year.



**Revenues By Source - Governmental Activities**



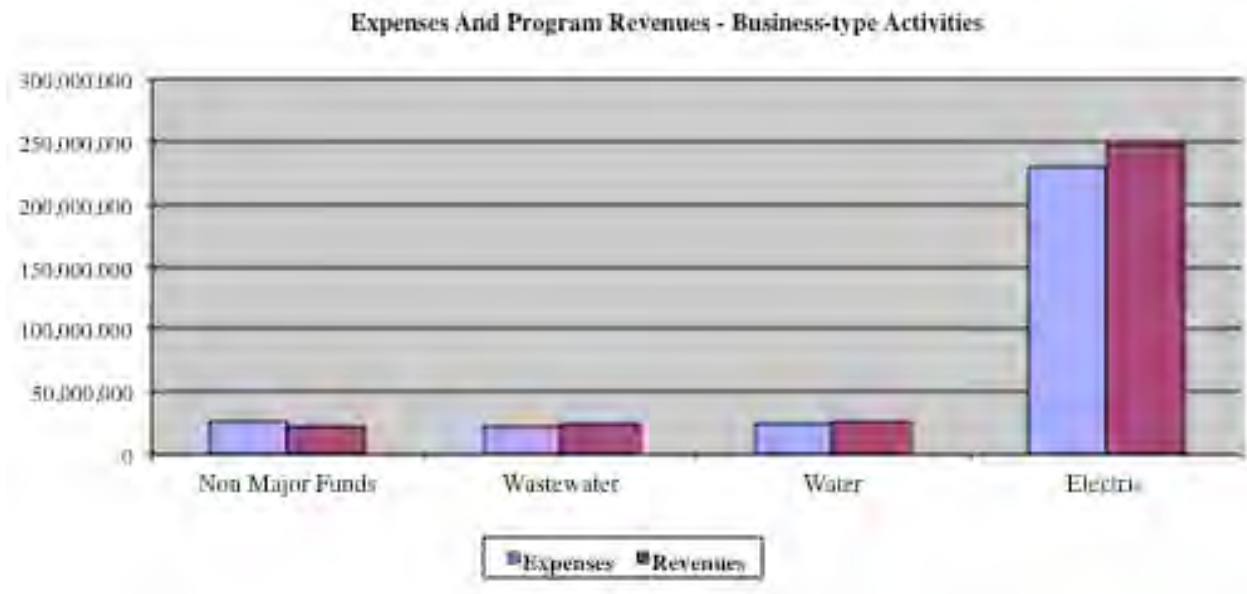
## BUSINESS-TYPE ACTIVITIES

Business-type activities increased the City's net assets by \$21,138,527, accounting for 56 percent of the total growth in the government's net assets. Key elements of this increase are as follows:

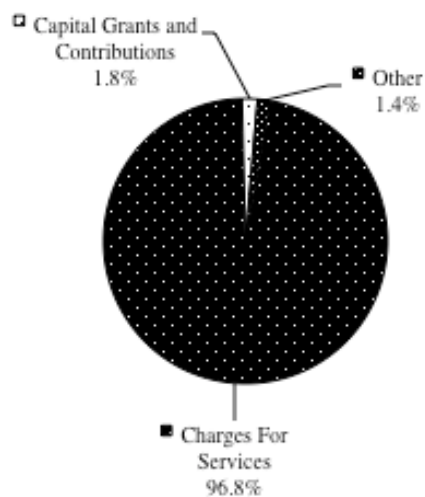
- Water System operating revenues decreased by \$557,076 (2.17%) from 2009. Effective February, 2010, there was a 5% user fee increase, but total water pumpage for 2010 was down 5% due to summer weather conditions. Operating expense decreased \$669,327 (3.05%) due to decreased electricity and chemical costs from lower water pumpage.
- Wastewater System operating revenues increased \$560,848 (2.65%) primarily due to a 4% user fee increase implemented with the billings starting in February, 2010. Sanitary sewer bills for residential customers are based on water usage during a two-month period during the winter and remain the same over the balance of the following ten-month period. Non-residential customers are billed for sanitary sewer based on their monthly water usage.
- Lincoln Electric System operating revenue in 2009 was 1% lower than 2008. Energy sales were down due to mild summer weather and the economy. Wholesale revenue was 20% less due to the end of a short-term sale of a portion of Walter Scott 4 generating station power, offset by increased non-firm

sales benefiting from membership in Southwest Power Pool. Operating expense decreased 4% because of lower power cost from reduced fuel expense.

- LES recorded capital contributions of \$2 million.
- Lincoln Water and Wastewater Systems each reported developer capital contributions of approximately \$1.9 million.
- Lincoln Water and Wastewater Systems reported net losses in nonoperating activities due to interest expense.



**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, 2010, the City's governmental funds reported combined ending fund balances of \$186,888,572, a decrease of \$(3,878,503) 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 (\$19,566,000),
- pay debt service (\$16,172,469),
- 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 (\$5,754,708).

The General Fund is the chief operating fund of the City. At August 31, 2010, the unreserved fund balance of the General Fund was \$25,701,931, while total fund balance reached \$30,425,582. 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 25 percent of total general fund expenditures, while total fund balance represents 30 percent of that same amount.

The fund balance of the City's General Fund decreased by \$(1,829,641) during 2010. For the current fiscal year, appropriated General fund balance, used as a funding source for the budget decreased \$542,052 to \$2,608,706. 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 \$31,586,833, which is to be used in the construction and maintenance of street and highways. The net increase in fund balance during 2010 in the Street Construction Fund was \$3,198,330, which was the result of changes in the demand for funding of the various JAVA projects.

The West Haymarket JPA Fund had a fund deficit of \$(2,474,531), due to start-up costs and a short-term note borrowing. The JPA has issued \$200,000,000 in bonds subsequent to year-end for funding the improvements of the West Haymarket Redevelopment Project.

### **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 \$10,008,549, \$10,247,931, \$83,113,000 and \$2,788,606, respectively, at August 31, 2010 (December 31, 2009 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 \$99,820 in appropriations) and can be briefly summarized as follows:

- \$(689,576) in miscellaneous changes in general government activities.
- \$(59,729) in decreases allocated to public safety.
- \$(10,400) in decreases allocated to parks and recreation.
- \$859,525 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:

- \$1,924,797 positive variance in real estate and personal property tax. Actual property collections were 96.60% of the 2009 levy, while estimated tax revenue is based on 90% collections as provided by the City Charter.
- \$1,199,660 positive variance in miscellaneous general government expenditures. Significant savings were realized in several service line items that are reappropriated to cover ongoing future expenditures.
- \$(2,490,797) 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, 2010, amounts to \$2,040,718,713 (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 2010 was .77 percent (a 1.31 percent increase for governmental activities and a .53 percent increase for business-type activities).

Major capital asset events during 2010 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, 2010 reached \$82,932,000.
- Wastewater and Water Systems realized significant reductions in capital spending in order to preserve cash positions, keep rate increases as small as possible, and maintain or improve bonding capacity for future years. In 2010 capital assets increased by only \$984,530 and \$2,195,024, respectively.

### **City Of Lincoln Capital Assets (net of depreciation) August 31, 2010 and 2009**

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 63,866,125	65,038,172	21,950,552	21,691,556	85,816,677	86,729,728
Buildings	45,950,230	45,508,199	126,543,523	154,374,821	172,493,753	199,883,020
Improvements Other Than Buildings	38,189,441	36,850,167	446,114,577	388,022,172	484,304,018	424,872,339
Machinery and Equipment	31,600,937	31,042,569	12,232,011	11,321,850	43,832,948	42,364,419
Utility Plant	-	-	760,709,000	729,402,000	760,709,000	729,402,000
Infrastructure	354,568,639	347,255,342	-	-	354,568,639	347,255,342
Construction-in-progress	88,621,001	89,070,850	50,372,677	105,586,567	138,993,678	194,657,417
Total	\$ 622,796,373	614,765,299	1,417,922,340	1,410,398,966	2,040,718,713	2,025,164,265

Additional information on the City's capital assets can be found in Note 7 of the notes to the financial statements on pages 45-47 of this report.

### LONG-TERM DEBT

At August 31, 2010, the City of Lincoln had total bonded debt outstanding of \$870,648,000. Of this amount, \$118,383,000 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, 2010 and 2009  
(dollar amounts in thousands)**

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General Obligation Bonds	\$ 118,383	125,181	-	-	118,383	125,181
Tax Supported Bonds	6,605	7,265	-	-	6,605	7,265
Revenue Bonds	-	-	745,660	773,390	745,660	773,390
Total	\$ 124,988	132,446	745,660	773,390	870,648	905,836

The City's total bonded debt decreased by \$35,188,000 (3.9 percent) during the current fiscal year.

The City maintains the following credit ratings:

	Moody's Investors Service	Standard And Poor's	Fitch Investors Service
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 49-54 of this report.

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

- Property tax revenue required to fund the 2011 budget increased \$349,273 or .86 percent from the prior year. Total change in the tax base is also estimated at .86 percent, therefore the tax rate for 2011 remains the same as 2010.
- 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 2011 include changes to the telecommunications occupation tax ordinance to clarify categories of gross revenue to be taxed effective October 1, 2010, resulting in an anticipated revenue increase of \$666,666.

- A transfer of \$3,732,350 from the Cash Reserve Fund (provided by surplus special assessment fund balance) will be used in 2011 to subsidize the City's tax funds.
- Sales tax collections for 2010 finished .83 percent behind projections. 2011 projections reflect a 1.96 percent increase over 2010 actual collections.
- A 5 percent water rate increase and a 5 percent wastewater rate increase were adopted by the City Council and were effective January, 2011.
- A hiring freeze and a retirement incentive package have been utilized in prior years to create vacant positions, eliminate positions, encourage reorganizations and make budget reductions while at the same time minimizing the number of layoffs. Staffing changes included in the 2010-2011 budget result in an increase for all funds of 19.97 full-time equivalents.

All of these factors were considered in preparing the City's budget for the 2011 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, 2010

With Summarized Financial Information as of August 31, 2009

	Governmental Activities	Business-Type Activities	Totals	
			2010	2009
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 39,699,866	42,617,927	82,317,793	99,641,976
Investments	106,596,863	42,107,920	148,704,783	110,480,156
Invested Securities Lending Collateral	1,025,994	-	1,025,994	1,020,557
Receivables, (Net of Allowance for Uncollectibles)	30,165,820	40,802,353	70,968,173	67,402,703
Internal Balances	(1,679,380)	1,679,380	-	-
Due from Other Governments	27,967,702	3,831	27,971,533	26,919,786
Inventories	2,040,156	17,006,247	19,046,403	17,648,866
Plant Operation Assets	-	14,091,000	14,091,000	12,387,000
Prepaid Items	711,547	1,116,621	1,828,168	2,055,749
Deferred Charges and Other Assets	1,835,187	14,798,356	16,633,543	20,372,387
Restricted Assets:				
Cash and Cash Equivalents	-	18,790,915	18,790,915	46,029,807
Investments	37,160,000	53,387,696	90,547,696	77,248,595
Receivables	-	248,717	248,717	248,595
Investment in Joint Venture	152,591,777	-	152,591,777	149,808,057
Capital Assets:				
Non-depreciable	152,487,126	72,323,229	224,810,355	281,387,145
Depreciable (Net)	470,309,247	1,345,599,111	1,815,908,358	1,743,777,120
<b>Total Assets</b>	<b>1,020,911,905</b>	<b>1,664,573,303</b>	<b>2,685,485,208</b>	<b>2,656,428,499</b>
<b>LIABILITIES</b>				
Accounts Payable and Other Current Liabilities	9,910,385	41,919,029	51,829,414	36,351,623
Accrued Liabilities	5,194,633	12,043,296	17,237,929	15,062,038
Due to Other Governments	651,524	167,868	819,392	1,072,869
Unearned Revenue	719,807	904,560	1,624,367	1,786,057
Obligations under Securities Lending	1,025,994	-	1,025,994	1,020,557
Notes Payable	2,000,000	90,000,000	92,000,000	90,000,000
Accrued Interest Payable	1,644,926	10,353,257	11,998,183	12,445,612
Noncurrent Liabilities:				
Payable within One Year	24,197,525	30,842,185	55,039,710	53,493,783
Payable in More Than One Year	164,994,507	742,345,929	907,340,436	936,198,776
<b>Total Liabilities</b>	<b>210,339,301</b>	<b>928,576,124</b>	<b>1,138,915,425</b>	<b>1,147,431,315</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	482,099,420	598,053,416	1,080,152,836	1,054,364,360
Restricted for:				
Debt Service, Net of Related Debt	4,463,918	30,404,916	34,868,834	32,413,460
Capital Projects	41,173,646	1,342,678	42,516,324	37,057,651
Grantor Loan Programs	19,566,000	-	19,566,000	19,637,000
Other	998,080	5,293,073	6,291,153	7,745,784
Trust Donations:				
Expendable	1,723,206	-	1,723,206	1,715,834
Nonexpendable	160,000	-	160,000	160,000
Health Care:				
Expendable	16,070,970	-	16,070,970	13,725,672
Nonexpendable	37,000,000	-	37,000,000	37,000,000
Unrestricted	207,317,364	100,903,096	308,220,460	305,177,423
<b>Total Net Assets</b>	<b>\$ 810,572,604</b>	<b>735,997,179</b>	<b>1,546,569,783</b>	<b>1,508,997,184</b>

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, 2010**  
 With Summarized Financial Information for the Year Ended August 31, 2009

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals	
							2010	2009
<b>Governmental Activities:</b>								
General Government	\$ (36,991,820)	20,614,039	1,730,599	1,684,485	(12,962,697)	-	(12,962,697)	(6,796,450)
Public Safety	(75,364,591)	5,034,014	4,513,715	131,049	(65,685,813)	-	(65,685,813)	(67,329,726)
Streets and Highways	(38,150,193)	3,291,012	15,242,304	13,056,892	(6,559,985)	-	(6,559,985)	12,275,641
Culture and Recreation	(25,713,710)	3,880,012	1,921,677	1,124,361	(18,787,660)	-	(18,787,660)	(21,618,166)
Economic Opportunity	(17,198,314)	1,014,906	12,304,207	27,000	(3,852,201)	-	(3,852,201)	(4,687,391)
Health and Welfare	(20,840,847)	4,257,066	13,046,524	-	(3,537,257)	-	(3,537,257)	(4,655,499)
Mass Transit	(11,198,681)	1,480,352	5,254,670	-	(4,463,659)	-	(4,463,659)	(7,007,403)
Equipment Management	(1,767,774)	1,326,194	-	25,000	(416,580)	-	(416,580)	(1,185,555)
Engineering Services	(829,470)	798,718	-	2,823	(27,929)	-	(27,929)	(185,680)
Interest on Long-Term Debt	(6,373,674)	5,112	1,000,000	119,582	(5,248,980)	-	(5,248,980)	(4,761,371)
<b>Total Governmental Activities</b>	<b>(234,429,074)</b>	<b>41,701,425</b>	<b>55,013,696</b>	<b>16,171,192</b>	<b>(121,542,761)</b>	<b>-</b>	<b>(121,542,761)</b>	<b>(105,951,600)</b>
<b>Business-Type Activities:</b>								
Parking Lots	(386,081)	468,451	-	-	-	82,370	82,370	128,097
Golf	(3,165,446)	2,771,655	-	20,000	-	(373,791)	(373,791)	(46,879)
Parking Facilities	(5,089,076)	6,747,242	-	-	-	1,658,166	1,658,166	1,899,849
Municipal Auditorium	(2,243,518)	1,594,711	-	-	-	(648,807)	(648,807)	(751,476)
Solid Waste Management	(10,607,775)	5,313,308	-	-	-	(5,294,467)	(5,294,467)	(1,420,033)
Emergency Medical Services	(3,819,895)	4,415,824	-	-	-	595,929	595,929	629,995
Wastewater System	(22,265,579)	21,661,455	-	1,887,561	-	1,283,437	1,283,437	189,145
Water System	(23,469,948)	25,012,703	-	1,900,970	-	3,443,725	3,443,725	5,066,359
Electric System	(229,241,000)	245,705,000	-	1,959,000	-	18,423,000	18,423,000	16,348,000
<b>Total Business-Type Activities</b>	<b>(300,288,318)</b>	<b>313,690,349</b>	<b>-</b>	<b>5,767,531</b>	<b>-</b>	<b>19,169,562</b>	<b>19,169,562</b>	<b>22,043,057</b>
<b>Total</b>	<b>\$ (534,717,392)</b>	<b>355,391,774</b>	<b>55,013,696</b>	<b>21,938,723</b>	<b>(121,542,761)</b>	<b>19,169,562</b>	<b>(102,373,199)</b>	<b>(83,908,543)</b>
<b>General Revenues:</b>								
Property Tax					48,637,701	-	48,637,701	49,370,031
Motor Vehicle Tax					4,247,118	-	4,247,118	4,323,350
Wheel Tax					11,519,622	-	11,519,622	10,697,955
Sales and Use Tax					55,362,688	-	55,362,688	54,337,312
Sundry and In Lieu Tax					54,431	-	54,431	46,078
Occupation Tax					10,847,214	1,984,400	12,831,614	12,520,440
Unrestricted Grants and Contributions					2,006,071	-	2,006,071	1,542,816
Unrestricted Investment Earnings					1,926,976	1,673,103	3,600,079	9,862,954
Miscellaneous General Revenues					793,365	893,109	1,686,474	997,113
Transfers					2,581,647	(2,581,647)	-	-
<b>Total General Revenues and Transfers</b>					<b>137,976,833</b>	<b>1,968,965</b>	<b>139,945,798</b>	<b>143,698,049</b>
<b>Change in Net Assets</b>					<b>16,434,072</b>	<b>21,138,527</b>	<b>37,572,599</b>	<b>59,789,506</b>
<b>Net Assets - Beginning</b>					<b>794,138,532</b>	<b>714,858,652</b>	<b>1,508,997,184</b>	<b>1,449,207,678</b>
<b>Net Assets - Ending</b>					<b>\$ 810,572,604</b>	<b>735,997,179</b>	<b>1,546,569,783</b>	<b>1,508,997,184</b>

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

**CITY OF LINCOLN, NEBRASKA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**AUGUST 31, 2010**

	General Fund	Street Construction Fund	West Haymarket JPA Fund	Other Governmental Funds	Total
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 6,609,172	7,531,109	2,710,908	15,284,268	32,135,457
Investments	10,799,505	20,259,752	-	91,285,881	122,345,138
Invested Securities Lending Collateral	-	-	-	1,025,994	1,025,994
Receivables, (Net of Allowance for Uncollectibles)	4,786,747	1,093,027	1,303	23,885,417	29,766,494
Due from Other Funds	1,732,085	4,419,316	-	4,931,635	11,083,036
Due from Other Governments	10,252,420	11,899,787	-	5,438,210	27,590,417
Inventories	475,372	47,203	-	816,558	1,339,133
Prepaid Items	8,314,491	-	-	-	8,314,491
Total Assets	<u>42,969,792</u>	<u>45,250,194</u>	<u>2,712,211</u>	<u>142,667,963</u>	<u>233,600,160</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts Payable	982,568	3,871,697	2,182,908	2,376,897	9,414,070
Contracts Payable	-	59,723	-	191,290	251,013
Accrued Liabilities	2,029,219	126,192	-	1,609,673	3,765,084
Due to Other Funds	7,872,362	27,482	2,741	5,917,477	13,820,062
Due to Other Governments	116,361	-	-	389,749	506,110
Tax Anticipation Note	-	-	2,000,000	-	2,000,000
Note Interest Payable	-	-	1,093	-	1,093
Bond Security Deposit	-	-	1,000,000	-	1,000,000
Unearned Revenue	-	-	-	575,298	575,298
Obligations under Securities Lending	-	-	-	1,025,994	1,025,994
Deferred Revenue	1,543,700	9,578,267	-	3,230,897	14,352,864
Total Liabilities	<u>12,544,210</u>	<u>13,663,361</u>	<u>5,186,742</u>	<u>15,317,275</u>	<u>46,711,588</u>
<b>Fund Balances (Deficits):</b>					
<b>Reserved for:</b>					
Inventories	475,372	47,203	-	816,558	1,339,133
Prepaid Items	317,037	-	-	-	317,037
Improvements	3,046,200	-	-	7,296	3,053,496
Grantor Loan Programs	-	-	-	19,566,000	19,566,000
Restricted Funds	885,042	-	-	-	885,042
Debt Service	-	-	-	16,172,469	16,172,469
Trust Donations (nonexpendable)	-	-	-	160,000	160,000
Health Care (nonexpendable)	-	-	-	37,000,000	37,000,000
<b>Unreserved, Reported in:</b>					
<b>General Fund:</b>					
Designated for Debt Service	379,783	-	-	-	379,783
Designated for Subsequent Years Expenditures	3,577,797	-	-	-	3,577,797
Designated for Encumbrances	859,428	-	-	-	859,428
Undesignated	20,884,923	-	-	-	20,884,923
<b>Special Revenue Funds:</b>					
Designated for Subsequent Years Expenditures	-	52,100	-	1,481,896	1,533,996
Designated for Encumbrances	-	5,319,256	-	3,782,754	9,102,010
Undesignated	-	26,168,274	(2,474,531)	23,087,592	46,781,335
<b>Capital Projects Funds:</b>					
Designated for Encumbrances	-	-	-	2,661,119	2,661,119
Undesignated	-	-	-	6,103,803	6,103,803
<b>Permanent Funds:</b>					
Designated for Contingencies	-	-	-	865,000	865,000
Undesignated	-	-	-	15,646,201	15,646,201
Total Fund Balances (Deficits)	<u>30,425,582</u>	<u>31,586,833</u>	<u>(2,474,531)</u>	<u>127,350,688</u>	<u>186,888,572</u>
Total Liabilities and Fund Balances (Deficits)	<u>\$ 42,969,792</u>	<u>45,250,194</u>	<u>2,712,211</u>	<u>142,667,963</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.	605,937,726
Investment in joint venture is not a financial resource and, therefore, is not reported in the funds.	152,591,777
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	14,352,864
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.	29,167,115
Accrued pension contribution, long-term construction contracts and other liabilities require the use of unavailable financial resources and, therefore, are not reported in the funds.	(4,742,365)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(173,623,085)
Net assets of governmental activities	<u>\$ 810,572,604</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, 2010**

	General Fund	Street Construction Fund	West Haymarket JPA Fund	Other Governmental Funds	Total
<b>REVENUES</b>					
Taxes:					
Property	\$ 28,953,318	-	-	19,963,009	48,916,327
Motor Vehicle	4,247,118	-	-	-	4,247,118
Wheel	-	-	-	11,519,622	11,519,622
Sales and Use	55,362,688	-	-	-	55,362,688
Sundry and In Lieu	41,167	-	-	16,028	57,195
Occupation	10,314,055	-	-	-	10,314,055
Special Assessment	472	-	-	1,144,826	1,145,298
Intergovernmental	3,831,371	24,036,221	-	33,772,709	61,640,301
Permits and Fees	3,781,112	1,682,121	-	10,968,986	16,432,219
Reimbursement for Services	4,881,815	23,871	-	2,098,648	7,004,334
Program Income	-	-	-	207,978	207,978
Investment Earnings	270,175	305,351	1,824	4,619,909	5,197,259
Donations	711,163	-	-	540,741	1,251,904
Keno Proceeds	-	-	-	3,132,180	3,132,180
Miscellaneous	671,103	289,604	-	914,369	1,875,076
Total Revenues	<u>113,065,557</u>	<u>26,337,168</u>	<u>1,824</u>	<u>88,899,005</u>	<u>228,303,554</u>
<b>EXPENDITURES</b>					
Current:					
General Government	27,216,459	-	65,068	8,583,479	35,865,006
Public Safety	53,448,064	-	-	11,231,459	64,679,523
Streets and Highways	8,362,054	7,158,846	-	4,311,323	19,832,223
Culture and Recreation	11,437,768	-	-	10,046,105	21,483,873
Economic Opportunity	246,307	-	-	15,113,321	15,359,628
Health and Welfare	224,473	-	-	21,428,256	21,652,729
Mass Transit	-	-	-	12,034,413	12,034,413
Debt Service	49,918	-	577,343	16,405,140	17,032,401
Capital Outlay	-	23,120,038	1,833,944	7,593,257	32,547,239
Total Expenditures	<u>100,985,043</u>	<u>30,278,884</u>	<u>2,476,355</u>	<u>106,746,753</u>	<u>240,487,035</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>12,080,514</u>	<u>(3,941,716)</u>	<u>(2,474,531)</u>	<u>(17,847,748)</u>	<u>(12,183,481)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	2,866,901	12,148,040	-	31,011,845	46,026,786
Transfers Out	(20,971,889)	(6,251,254)	-	(16,035,970)	(43,259,113)
Issuance of Debt	4,131,948	-	-	-	4,131,948
Sale of Capital Assets	62,885	1,243,260	-	99,212	1,405,357
Total Other Financing Sources (Uses)	<u>(13,910,155)</u>	<u>7,140,046</u>	<u>-</u>	<u>15,075,087</u>	<u>8,304,978</u>
Net Change in Fund Balances	<u>(1,829,641)</u>	<u>3,198,330</u>	<u>(2,474,531)</u>	<u>(2,772,661)</u>	<u>(3,878,503)</u>
Fund Balances - Beginning	<u>32,255,223</u>	<u>28,388,503</u>	<u>-</u>	<u>130,123,349</u>	<u>190,767,075</u>
Fund Balances (Deficits) - Ending	<u>\$ 30,425,582</u>	<u>31,586,833</u>	<u>(2,474,531)</u>	<u>127,350,688</u>	<u>186,888,572</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, 2010**

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

Net change in fund balances - total governmental funds	\$ (3,878,503)
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.	8,335,241
The net effect of various miscellaneous transactions involving capital contributions is to increase net assets.	6,088,309
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.	933,041
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.	7,077,674
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(3,933,333)
Changes in the net pension obligation and the net OPEB obligation do not represent financial activity in governmental funds.	(857,118)
Changes in the interest in the underlying net assets of the joint venture do not represent financial activity in governmental funds.	2,783,720
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>(114,959)</u>
Change in net assets of governmental activities	<u>\$ 16,434,072</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, 2010**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues:				
Real Estate and Personal Property Tax	\$ 30,677,088	30,677,088	32,601,885	1,924,797
Taxes Collected by Others	55,614,362	55,614,362	54,925,013	(689,349)
Sundry Taxes and In Lieu	29,538	29,538	35,326	5,788
Occupation Taxes	11,354,160	11,354,160	10,760,491	(593,669)
Intergovernmental	3,902,519	3,902,519	3,887,002	(15,517)
Permits and Fees	2,999,903	2,999,903	3,054,960	55,057
Reimbursement for Services	2,719,030	2,719,030	2,322,805	(396,225)
Court Fees	565,000	565,000	552,526	(12,474)
Recreation Receipts	2,022,835	2,022,835	2,043,802	20,967
Investment Earnings	342,973	342,973	319,521	(23,452)
Donations	723,371	723,371	733,027	9,656
Rental Income	502,416	502,416	471,716	(30,700)
Miscellaneous	345,956	345,956	691,998	346,042
Total Revenues	<u>111,799,151</u>	<u>111,799,151</u>	<u>112,400,072</u>	<u>600,921</u>
Expenditures:				
General Government:				
Legislative	311,055	311,055	265,653	45,402
Executive	1,284,037	1,241,099	1,127,249	113,850
Financial Administration	2,429,249	2,454,449	2,372,704	81,745
Law	2,338,652	2,392,652	2,378,806	13,846
Personnel Administration	877,121	877,121	847,649	29,472
Planning and Zoning	1,778,317	1,768,567	1,699,972	68,595
Building and Plant	-	-	1,110,000	(1,110,000)
Urban Development	916,205	916,205	762,384	153,821
Miscellaneous	18,467,320	17,751,232	16,551,572	1,199,660
Total General Government	<u>28,401,956</u>	<u>27,712,380</u>	<u>27,115,989</u>	<u>596,391</u>
Public Safety:				
Police	32,750,367	32,793,305	31,340,607	1,452,698
Fire	21,577,234	21,474,567	20,947,624	526,943
Traffic Engineering	1,502,383	1,502,383	1,435,401	66,982
Total Public Safety	<u>55,829,984</u>	<u>55,770,255</u>	<u>53,723,632</u>	<u>2,046,623</u>
Streets and Highways:				
Street Maintenance	2,380,337	2,380,337	2,089,416	290,921
Street Lighting	3,784,138	3,784,138	6,274,935	(2,490,797)
Total Streets and Highways	<u>6,164,475</u>	<u>6,164,475</u>	<u>8,364,351</u>	<u>(2,199,876)</u>
Culture and Recreation:				
Parks and Recreation	11,537,791	11,527,391	11,122,129	405,262
Libraries	243,678	243,678	243,678	-
Total Culture and Recreation	<u>11,781,469</u>	<u>11,771,069</u>	<u>11,365,807</u>	<u>405,262</u>
Economic Opportunity:				
Lincoln Area Agency on Aging	245,213	245,213	245,213	-
Health and Welfare:				
Lincoln/Lancaster County Health	216,187	216,187	216,187	-
Debt Service:				
Issuance and Management Costs	-	-	49,918	(49,918)
Total Expenditures	<u>102,639,284</u>	<u>101,879,579</u>	<u>101,081,097</u>	<u>798,482</u>
Excess of Revenues Over Expenditures	<u>9,159,867</u>	<u>9,919,572</u>	<u>11,318,975</u>	<u>1,399,403</u>
Other Financing Sources (Uses):				
Transfers In	3,109,326	3,109,326	2,863,258	(246,068)
Transfers Out	(20,764,926)	(21,624,451)	(21,035,060)	589,391
Proceeds from Issuance of Debt	4,131,948	4,131,948	4,131,948	-
Sale of Capital Assets	66,088	66,088	92,555	26,467
Total Other Financing Sources (Uses)	<u>(13,457,564)</u>	<u>(14,317,089)</u>	<u>(13,947,299)</u>	<u>369,790</u>
Net Change in Fund Balances	<u>(4,297,697)</u>	<u>(4,397,517)</u>	<u>(2,628,324)</u>	<u>1,769,193</u>
Fund Balances - Beginning	<u>23,614,376</u>	<u>23,614,376</u>	<u>23,614,376</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 19,316,679</u>	<u>19,216,859</u>	<u>20,986,052</u>	<u>1,769,193</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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Intergovernmental	\$ 12,613,270	12,613,270	15,919,139	3,305,869
Permits and Fees	-	-	218,443	218,443
Reimbursement for Services	400,000	400,000	5,297	(394,703)
Investment Earnings	100,000	100,000	123,547	23,547
Miscellaneous	-	-	8,056	8,056
Total Revenues	<u>13,113,270</u>	<u>13,113,270</u>	<u>16,274,482</u>	<u>3,161,212</u>
Expenditures -- Streets and Highways:				
Personal Services	3,847,880	3,847,880	4,016,232	(168,352)
Materials and Supplies	667,827	668,827	663,947	4,880
Other Services and Charges	3,010,718	3,400,718	2,911,466	489,252
Capital Outlay	24,449	24,449	6,881	17,568
Total Expenditures	<u>7,550,874</u>	<u>7,941,874</u>	<u>7,598,526</u>	<u>343,348</u>
Excess of Revenues Over Expenditures	<u>5,562,396</u>	<u>5,171,396</u>	<u>8,675,956</u>	<u>3,504,560</u>
Other Financing Sources (Uses):				
Transfers In	12,111,141	12,111,141	12,111,141	-
Transfers Out	(6,251,254)	(6,251,254)	(6,251,254)	-
Sale of Capital Assets	-	-	1,243,260	1,243,260
Total Other Financing Sources (Uses)	<u>5,859,887</u>	<u>5,859,887</u>	<u>7,103,147</u>	<u>1,243,260</u>
Net Change in Fund Balances	11,422,283	11,031,283	15,779,103	4,747,820
Amount Budgeted on Project Basis	(12,727,628)	(12,727,628)	(12,727,628)	-
Fund Balances - Beginning	<u>25,873,997</u>	<u>25,873,997</u>	<u>25,873,997</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 24,568,652</u>	<u>24,177,652</u>	<u>28,925,472</u>	<u>4,747,820</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, 2010**

	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	\$ 3,080,393	1,804,922	32,961,000	4,771,612	42,617,927	7,564,409
Investments	-	-	30,427,000	11,680,920	42,107,920	21,411,725
Restricted Assets:						
Cash and Cash Equivalents	-	-	15,764,000	937,658	16,701,658	-
Investments	1,331,676	397,309	932,000	-	2,660,985	-
Receivables, (Net of Allowance for Uncollectibles)	3,440,264	2,711,578	14,519,000	1,978,389	22,649,231	399,326
Unbilled Revenues	2,238,194	3,801,928	12,113,000	-	18,153,122	-
Due from Other Funds	1,104,649	341,866	-	830,971	2,277,486	2,145,304
Due from Other Governments	-	-	-	3,831	3,831	377,285
Inventories	102,980	840,372	15,882,000	180,895	17,006,247	701,023
Plant Operation Assets	-	-	14,091,000	-	14,091,000	-
Prepaid Expenses	-	-	1,076,000	40,621	1,116,621	394,510
Total Current Assets	11,298,156	9,897,975	137,765,000	20,424,897	179,386,028	32,993,582
Noncurrent Assets:						
Restricted Assets:						
Cash and Cash Equivalents	-	-	293,000	1,796,257	2,089,257	-
Investments	13,349,964	13,811,830	22,028,000	1,536,917	50,726,711	-
Receivables	131,375	107,783	-	9,559	248,717	-
Due from Other Funds	-	-	-	74,185	74,185	-
Total Restricted Assets	13,481,339	13,919,613	22,321,000	3,416,918	53,138,870	-
Deferred Charges	743,424	663,892	13,053,000	338,040	14,798,356	-
Capital Assets:						
Land	5,820,833	5,444,607	-	10,685,112	21,950,552	48,250
Buildings	75,359,698	67,219,982	-	50,730,487	193,310,167	373,146
Improvements Other Than Buildings	247,828,003	320,129,285	-	35,945,808	603,903,096	1,159,425
Machinery and Equipment	8,551,731	8,183,784	-	12,388,267	29,123,782	27,315,648
Utility Plant	-	-	1,192,400,000	-	1,192,400,000	-
Construction in Progress	6,524,586	2,116,922	41,229,000	502,169	50,372,677	-
Less Accumulated Depreciation	(90,382,035)	(102,066,552)	(431,691,000)	(48,998,347)	(673,137,934)	(20,035,276)
Total Capital Assets, Net	253,702,816	301,028,028	801,938,000	61,253,496	1,417,922,340	8,861,193
Total Noncurrent Assets	267,927,579	315,611,533	837,312,000	65,008,454	1,485,859,566	8,861,193
Total Assets	279,225,735	325,509,508	975,077,000	85,433,351	1,665,245,594	41,854,775
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts Payable	249,416	665,094	13,764,000	974,425	15,652,935	775,073
Construction Contracts	1,305,063	1,394,031	639,000	-	3,338,094	-
Accrued Liabilities	435,972	687,344	10,627,000	292,980	12,043,296	359,820
Accrued Compensated Absences	347,742	409,070	-	294,811	1,051,623	719,414
Due to Other Funds	-	-	-	672,291	672,291	1,087,658
Due to Other Governments	-	-	-	167,868	167,868	29,894
Unearned Revenue	-	-	-	904,560	904,560	144,509
Claims	-	-	478,000	-	478,000	5,097,887
Accrued Interest	751,467	134,393	9,430,000	37,397	10,353,257	-
Commercial Paper Notes Payable	-	-	90,000,000	-	90,000,000	-
Current Portion of Capital Lease	-	-	-	318,288	318,288	-
Current Portion of Long-Term Debt	2,785,000	6,310,000	17,820,000	2,079,274	28,994,274	-
Other	-	-	22,928,000	-	22,928,000	-
Total Current Liabilities	5,874,660	9,599,932	165,686,000	5,741,894	186,902,486	8,214,255
Noncurrent Liabilities:						
Accrued Compensated Absences	196,528	371,633	-	68,193	636,354	711,532
Construction Contracts	2,681,630	1,227,600	-	-	3,909,230	-
Claims	-	-	-	-	-	3,616,183
Long-Term Debt, Net	80,364,615	65,463,309	566,195,000	10,895,154	722,918,078	-
Capital Lease Payable	-	-	-	1,009,368	1,009,368	-
Accrued Liabilities	84,011	119,104	33,000	146,784	382,899	145,690
Accrued Landfill Closure/Postclosure Care Costs	-	-	-	13,490,000	13,490,000	-
Total Noncurrent Liabilities	83,326,784	67,181,646	566,228,000	25,609,499	742,345,929	4,473,405
Total Liabilities	89,201,444	76,781,578	731,914,000	31,351,393	929,248,415	12,687,660
<b>NET ASSETS</b>						
Invested in Capital Assets, Net of Related Debt	178,631,892	238,080,168	131,184,000	50,157,356	598,053,416	8,861,193
Restricted for:						
Debt Service	860,936	397,377	28,866,000	280,603	30,404,916	-
Capital Projects	522,914	2,454	-	817,310	1,342,678	-
Other	-	-	-	38,083	38,083	-
Unrestricted	10,008,549	10,247,931	83,113,000	2,788,606	106,158,086	20,305,922
Total Net Assets	\$ 190,024,291	248,727,930	243,163,000	54,081,958	735,997,179	29,167,115

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, 2010

	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	\$ 21,703,427	25,135,127	245,705,000	4,415,824	296,959,378	48,916,235
Fees	-	-	-	7,555,077	7,555,077	-
Parking Revenue	-	-	-	7,215,699	7,215,699	-
Performance Revenue	-	-	-	1,531,079	1,531,079	-
Other Operating Revenue	-	-	-	609,487	609,487	-
Total Operating Revenues	<u>21,703,427</u>	<u>25,135,127</u>	<u>245,705,000</u>	<u>21,327,166</u>	<u>313,870,720</u>	<u>48,916,235</u>
<b>Operating Expenses</b>						
Personal Services	-	-	-	7,480,150	7,480,150	12,693,891
Contractual Services	-	-	-	7,323,081	7,323,081	-
Operation and Maintenance	10,067,749	11,833,628	13,708,000	5,933,457	41,542,834	34,601,517
Purchased Power	-	-	110,316,000	-	110,316,000	-
Depreciation	7,163,336	7,162,359	36,311,000	3,675,106	54,311,801	2,454,921
Administrative Costs	1,596,844	2,257,664	30,471,000	-	34,325,508	-
Total Operating Expenses	<u>18,827,929</u>	<u>21,253,651</u>	<u>190,806,000</u>	<u>24,411,794</u>	<u>255,299,374</u>	<u>49,750,329</u>
Operating Income (Loss)	<u>2,875,498</u>	<u>3,881,476</u>	<u>54,899,000</u>	<u>(3,084,628)</u>	<u>58,571,346</u>	<u>(834,094)</u>
<b>Nonoperating Revenues (Expenses)</b>						
Investment Earnings	455,149	523,674	477,000	217,280	1,673,103	516,717
Gain (Loss) on Disposal of Capital Assets	-	-	-	(76,996)	(76,996)	41,104
Insurance Recovery	688,025	-	-	24,713	712,738	-
Occupation Tax	-	-	-	1,984,400	1,984,400	-
Payments in Lieu of Taxes	-	-	(8,717,000)	-	(8,717,000)	-
Amortization of Deferred Charges	(38,904)	(76,887)	(666,000)	(56,441)	(838,232)	-
Interest Expense and Fiscal Charges	<u>(3,398,746)</u>	<u>(2,139,410)</u>	<u>(29,052,000)</u>	<u>(766,560)</u>	<u>(35,356,716)</u>	<u>(658)</u>
Total Nonoperating Revenues (Expenses)	<u>(2,294,476)</u>	<u>(1,692,623)</u>	<u>(37,958,000)</u>	<u>1,326,396</u>	<u>(40,618,703)</u>	<u>557,163</u>
Income (Loss) Before Contributions and Transfers	581,022	2,188,853	16,941,000	(1,758,232)	17,952,643	(276,931)
Capital Contributions	1,887,561	1,900,970	1,959,000	188,856	5,936,387	179,142
Transfers In	-	-	-	677,077	677,077	10,829
Transfers Out	<u>-</u>	<u>-</u>	<u>(1,597,000)</u>	<u>(1,830,580)</u>	<u>(3,427,580)</u>	<u>(27,999)</u>
Change in Net Assets	<u>2,468,583</u>	<u>4,089,823</u>	<u>17,303,000</u>	<u>(2,722,879)</u>	<u>21,138,527</u>	<u>(114,959)</u>
Net Assets - Beginning	<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>
Net Assets - Ending	<u>\$ 190,024,291</u>	<u>248,727,930</u>	<u>243,163,000</u>	<u>54,081,958</u>	<u>735,997,179</u>	<u>29,167,115</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, 2010**

	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	\$ 19,478,474	24,996,296	250,213,000	20,420,040	315,107,810	10,927,186
Receipts from Interfund Services Provided	519,868	513,149	5,312,000	234,450	6,579,467	38,296,191
Payments to Suppliers for Goods and Services	(3,327,409)	(3,507,425)	(140,505,000)	(7,262,061)	(154,601,895)	(30,860,657)
Payments to Employees	(6,637,193)	(7,643,101)	(21,782,000)	(7,269,060)	(43,331,354)	(13,786,690)
Payments for Interfund Services Provided	(1,740,017)	(2,665,387)	(1,794,000)	(1,912,531)	(8,111,935)	(2,118,399)
Other Receipts	-	-	35,000	609,327	644,327	-
Net Cash Provided by Operating Activities	<u>8,293,723</u>	<u>11,693,532</u>	<u>91,479,000</u>	<u>4,820,165</u>	<u>116,286,420</u>	<u>2,457,631</u>
<b>Cash Flows from Noncapital Financing Activities</b>						
Occupation Tax	-	-	-	1,951,809	1,951,809	-
Payments in Lieu of Taxes	-	-	(8,178,000)	-	(8,178,000)	-
Transfers from Other Funds	-	-	-	708,000	708,000	10,829
Transfers to Other Funds	-	-	(1,519,000)	(1,830,580)	(3,349,580)	(46,202)
Advances from General Fund	-	-	-	1,252,018	1,252,018	948,553
Repayment of Advances from General Fund	-	-	-	(1,739,428)	(1,739,428)	(1,212,866)
Advances to Other Funds	-	-	-	(2,879)	(2,879)	(11,465)
Payments from Other Funds	72,494	534,102	-	229,190	835,786	163,635
Interest Paid to General Fund	-	-	-	(14,695)	(14,695)	-
Other	-	-	14,998,000	-	14,998,000	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>72,494</u>	<u>534,102</u>	<u>5,301,000</u>	<u>553,435</u>	<u>6,461,031</u>	<u>(147,516)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>						
Additions to Capital Assets	(7,789,773)	(12,403,559)	(40,736,000)	(4,837,665)	(65,766,997)	(1,795,832)
Proceeds from Sale of Capital Assets	-	-	-	52,850	52,850	134,800
Insurance Recovery	688,025	-	-	24,713	712,738	-
Proceeds from Long-Term Debt	3,048,891	-	-	1,189,703	4,238,594	-
Cost of Debt Issuance	-	-	(213,000)	(8,584)	(221,584)	-
Net Salvage Value of Retiring Plant	-	-	15,000	-	15,000	-
Capital Contributions	1,563,520	856,666	1,959,000	-	4,379,186	-
Principal Payments of Capital Lease	-	-	-	(199,956)	(199,956)	(47,014)
Principal Payments of Long-Term Debt	(2,695,000)	(6,050,000)	(17,000,000)	(1,985,000)	(27,730,000)	-
Interest and Fiscal Charges Paid	(3,517,776)	(2,349,658)	(29,569,000)	(747,910)	(36,184,344)	(789)
Net Cash Used by Capital and Related Financing Activities	<u>(8,702,113)</u>	<u>(19,946,551)</u>	<u>(85,544,000)</u>	<u>(6,511,849)</u>	<u>(120,704,513)</u>	<u>(1,708,835)</u>
<b>Cash Flows from Investing Activities</b>						
Proceeds from Sale and Maturities of Investments	3,401,675	7,648,621	-	7,777,187	18,827,483	7,707,138
Purchases of Investments	(3,775,939)	(3,203,284)	(49,748,000)	(5,840,051)	(62,567,274)	(9,322,696)
Interest and Other Receipts	506,818	684,210	257,000	464,547	1,912,575	699,630
Net Cash Provided (Used) by Investing Activities	<u>132,554</u>	<u>5,129,547</u>	<u>(49,491,000)</u>	<u>2,401,683</u>	<u>(41,827,216)</u>	<u>(915,928)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(203,342)	(2,589,370)	(38,255,000)	1,263,434	(39,784,278)	(314,648)
Cash and Cash Equivalents - Beginning	3,283,735	4,394,292	87,273,000	6,242,093	101,193,120	7,879,057
Cash and Cash Equivalents - Ending	<u>\$ 3,080,393</u>	<u>1,804,922</u>	<u>49,018,000</u>	<u>7,505,527</u>	<u>61,408,842</u>	<u>7,564,409</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>						
Operating Income (Loss)	\$ 2,875,498	3,881,476	54,899,000	(3,084,628)	58,571,346	(834,094)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:						
Depreciation	7,163,336	7,162,359	36,311,000	3,675,106	54,311,801	2,454,921
Changes in Assets and Liabilities:						
Accounts Receivable and Unbilled Revenues	(1,710,084)	375,868	402,000	(192,574)	(1,124,790)	99,347
Due from Other Funds	-	-	-	(76)	(76)	445,438
Due from Other Governments	-	-	-	2,171	2,171	(252,598)
Inventories	(22,862)	9,307	(1,425,000)	40,498	(1,398,057)	(41,675)
Plant Operation Assets	-	-	(1,704,000)	-	(1,704,000)	-
Prepaid Expenses	-	-	346,000	8,017	354,017	(135,384)
Other Assets	-	-	2,667,000	-	2,667,000	-
Accounts Payable	(130,771)	133,534	624,000	250,786	877,549	322,621
Accrued Liabilities	89,137	108,095	-	181,762	378,994	149,909
Accrued Compensated Absences	29,469	22,893	-	(7,219)	45,143	59,780
Due to Other Funds	-	-	-	80,406	80,406	5,936
Due to Other Governments	-	-	-	44,786	44,786	29,788
Unearned Revenue	-	-	-	127,130	127,130	3,049
Claims	-	-	227,000	-	227,000	150,593
Deferred Credits and Other Liabilities	-	-	(868,000)	-	(868,000)	-
Accrued Landfill Closure/Postclosure Care Costs	-	-	-	3,694,000	3,694,000	-
Total Adjustments	<u>5,418,225</u>	<u>7,812,056</u>	<u>36,580,000</u>	<u>7,904,793</u>	<u>57,715,074</u>	<u>3,291,725</u>
Net Cash Provided by Operating Activities	<u>\$ 8,293,723</u>	<u>11,693,532</u>	<u>91,479,000</u>	<u>4,820,165</u>	<u>116,286,420</u>	<u>2,457,631</u>
<b>Supplemental Disclosure of Noncash Investing, Capital, and Financing Activities:</b>						
Contribution of Capital Assets	\$ 324,041	1,044,304	-	188,856	1,557,201	179,142
Purchase of Capital Assets on Account	3,986,693	2,621,631	-	65,206	6,673,530	-
Change in Fair Value of Investments	(40,953)	(207,165)	-	(187,307)	(435,425)	(175,341)

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, 2010**

	Police & Fire Pension Trust Fund	Agency Funds
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 924,027	3,061,015
Investments:		
Pooled Investment Funds	1,410,040	-
U.S. Agency Obligations	-	2,244,459
Corporate Bonds	1,331,400	-
Private Equity	464,992	-
Mutual Funds	135,177,710	-
Real Estate Limited Partnership	9,712,116	-
Total Investments	<u>148,096,258</u>	<u>2,244,459</u>
Receivables:		
Contributions	389,421	-
Accrued Interest	684,143	42,089
Other	-	36,151
Due from Other Governments	803	-
Contractor Retainage	<u>-</u>	<u>927,389</u>
 Total Assets	 <u>150,094,652</u>	 <u><u>6,311,103</u></u>
 <b>LIABILITIES</b>		
Warrants Payable	-	399,889
Accounts Payable	50,155	254,077
Accrued Liabilities	4,673	-
Accrued Compensated Absences	12,999	-
Due to Other Governments	-	3,883,269
Due to Homeowners	-	11,848
Due to Contractors	-	1,440,843
Due to Joint Venture	-	203,251
Due to Bondholders	<u>-</u>	<u>117,926</u>
 Total Liabilities	 <u>67,827</u>	 <u><u>6,311,103</u></u>
 <b>NET ASSETS</b>		
Held in Trust for Pension Benefits and Other Purposes	 \$ <u><u>150,026,825</u></u>	

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

**CITY OF LINCOLN, NEBRASKA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUND**  
**FOR THE YEAR ENDED AUGUST 31, 2010**

	<u>Police &amp; Fire Pension Trust Fund</u>
Additions:	
Contributions:	
Employer	\$ 4,275,295
Employee	2,296,532
Total Contributions	<u>6,571,827</u>
Investment Earnings:	
Interest	(108,380)
Dividends	2,395,631
Net Increase in Fair Value of Investments	3,289,408
Net Investment Earnings	<u>5,576,659</u>
Total Additions	<u>12,148,486</u>
Deductions:	
Benefit Payments	9,901,647
Refunds of Contributions	876,508
Administrative Costs	<u>403,143</u>
Total Deductions	<u>11,181,298</u>
Change in Net Assets	967,188
Net Assets Held in Trust for Pension Benefits and Other Purposes - Beginning	<u>149,059,637</u>
Net Assets Held in Trust for Pension Benefits and Other Purposes - Ending	<u>\$ 150,026,825</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, 2010**

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

**REPORTING ENTITY**

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

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

**FISCAL YEAR-END**

All funds of the City, with the exception of Lincoln Electric System (LES), are reported as of and for the year ended August 31, 2010. 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, 2009. The amounts included in the City's 2010 financial statements for LES are amounts as of and for the year ended December 31, 2009.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

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

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

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2010

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

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

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

The City reports the following major governmental funds:

The General Fund finances the day-to-day operation of the basic governmental activities, such as legislative, judicial, administration, 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 West Haymarket JPA Fund accounts for the activities of the joint public agency, a blended component unit of the City, established to facilitate the redevelopment of the West Haymarket Area.

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:

The 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, 2010

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 market

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2010

information of similar financial instruments. Income from investments held by the individual funds is recorded in the respective funds as it is earned.

Receivables and Payables

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

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

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

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

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

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

Deferred Charges

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.

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
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The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

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

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

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

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

#### Compensated Absences

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



CITY OF LINCOLN, NEBRASKA  
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August 31, 2010

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

Fund Equity

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 \$24,054,573 of the General Fund's unreserved fund balance of \$25,701,931 meets the requirements of this policy, leaving an additional unreserved balance of \$1,647,358.

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 \$158,196,487 of restricted net assets, of which enabling legislation restricts \$12,567,922.

*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.

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2010

Appropriation transfers between departments or agencies may only be authorized by resolution of the City Council. The Council may not make any appropriations in addition to those authorized in the annual budget, except that it may authorize emergency appropriations in the event of an emergency threatening serious loss of life, health, or property in the community.

- 5) Budgets for all funds are adopted on a basis inconsistent with accounting principles generally accepted in the United States of America (GAAP). Since encumbrances are included in the City's budget accounting, year-end encumbrances are reappropriated to the next year in the budget process. Various funds have expenditures automatically appropriated through the budget resolution, based on funds available. These expenditures are reflected in the original and final budgets at amounts equal to the actual expenditures. Budget basis expenditures are presented on a cash basis.

Amendments to the adopted budget were made this year and resulted from prior fiscal year encumbrances identified subsequent to budget adoption, appropriation of unanticipated revenues to certain funds as provided in the budget resolution, and appropriation revisions between or among departments as provided for under the City Charter.

- 6) Appropriation controls are required at the departmental level. However, as a matter of policy and practice, appropriations generally are controlled at the next level of organization (division) or by fund within a department.
- 7) Operating appropriations lapse at the end of the fiscal year except for capital improvement appropriations and year-end encumbrances against operating budgets. Capital improvement appropriations are continuing appropriations through completion of the project.
- 8) Budgets are adopted by resolution for the following fund types: general, special revenue, debt service, capital projects, permanent, enterprise, internal service, and pension trust. Legally adopted annual budgets are not established for the West Haymarket JPA component unit, certain special revenue (Advance Acquisition, Police & Fire Pension Contributions, Special Assessment, Impact Fees, Fast Forward, Parks & Recreation Special Projects, Seniors Foundation of Lincoln & Lancaster County, and R.P. Crawford Park), 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 \$15,205,970, 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, 2009, 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.

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2010

**ESTIMATES**

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

**IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES**

In 2010, the City implemented the provisions of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which 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. The implementation of GASB 51 did not have a material impact on the financial statements.

In 2010, the City implemented the provisions of GASB Statement No. 53 *Accounting and Financial Reporting for Derivative Instruments*, which addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The implementation of GASB 53 did not have a material impact on the financial statements.

**NEW ACCOUNTING PRONOUNCEMENTS**

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.

GASB has issued Statements No. 59, *Financial Instruments Omnibus*, effective for periods beginning after June 15, 2010. The objective of Statement No. 59 is to improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice.

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

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

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

The governmental funds balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets of governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, “Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.” The details of the \$173,623,085 difference are as follows:

Bonds Payable	\$ 124,988,473
Less deferred charge for issuance costs	(1,835,187)
Less issuance discounts	(20,577)
Plus issuance premiums	2,597,706
Capital Leases Payable	28,989,369
Accrued Interest Payable	1,643,833
Net Pension Obligation	3,595,657
Net OPEB Obligation	1,904,919
Compensated Absences	11,758,892
Net difference	<u>\$ 173,623,085</u>

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
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**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 \$8,335,241 difference are as follows:

Capital outlay	\$ 31,525,515
Depreciation expense	<u>(23,190,274)</u>
Net difference	<u><u>\$ 8,335,241</u></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 \$7,077,674 difference are as follows:

Debt issued or incurred:	
Issuance of capital lease	\$ (1,110,000)
Issuance of certificates of participation	(3,021,948)
Deferred charge for issuance costs	562,591
Amortization of deferred items	(559)
Principal repayments	<u>10,647,590</u>
Net difference	<u><u>\$ 7,077,674</u></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 \$(3,933,333) difference are as follows:

Loss on disposal of capital assets	\$ (3,983,086)
Construction contracts	448,261
Other	41,131
Accrued interest	36,461
Compensated absences	<u>(476,100)</u>
Net difference	<u><u>\$ (3,933,333)</u></u>

**(3) RESTRICTED ASSETS**

Certain proceeds of the enterprise funds revenue bonds and resources set aside for their repayment are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants. Assets included in the Bond Principal and Interest Account and the Bond Reserve Account are restricted for the payment of bond principal and interest. Assets included in the Surplus Account and the Depreciation and Replacement Account are restricted for purposes including improvements, repairs and replacements, acquisition of equipment, and the payment of bond principal and interest. Assets included in the Construction Account are restricted for paying the cost of 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.

CITY OF LINCOLN, NEBRASKA  
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A recap of restrictions and related balances at August 31, 2010 are as follows:

Fund Account	Golf	Parking Facilities	Pershing Municipal Auditorium	Solid Waste Management	EMS	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Totals
Principal and Interest	\$ 4,330	303,312	-	-	-	1,331,676	397,309	16,696,000	18,732,627
Reserve	316,500	1,815,575	-	400,000	-	6,416,951	9,386,640	22,239,000	40,574,666
Depreciation and Replacement	100,000	682,850	-	-	-	-	-	-	782,850
Construction	-	-	-	14,490	-	7,064,388	4,532,973	82,000	11,693,851
Capital Projects	3,892	6,461	9,616	-	659,468	-	-	-	679,437
Marketing	-	-	38,082	-	-	-	-	-	38,082
	<u>\$ 424,722</u>	<u>2,808,198</u>	<u>47,698</u>	<u>414,490</u>	<u>659,468</u>	<u>14,813,015</u>	<u>14,316,922</u>	<u>39,017,000</u>	<u>72,501,513</u>

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

**(4) DEPOSITS AND INVESTMENTS**

**DEPOSITS**

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

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

One or more of the financial institutions holding the City's cash accounts are participating in the FDIC Transaction Account Guarantee Program. Under the program, through December 31, 2012, all noninterest-bearing transaction accounts at these institutions are fully guaranteed by the FDIC for the entire amount in the account. For interest-bearing cash accounts, the City's cash deposits, including certificates of deposit, are insured up to \$250,000 by the FDIC. Any cash deposits or certificates of deposit in excess of the \$250,000 FDIC limits are covered by collateral held in a Federal Reserve pledge account or by an agent for the City and thus no custodial risk exists.

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**INVESTMENTS**

At August 31, 2010, the City had the following investments, maturities and credit ratings:

		August 31, 2010					
		Maturities in Years				Credit Rating	
Type	Fair Value	Less than 1	1-5	6-10	More than 10	Moody's	S&P
<b>General City:</b>							
U.S. Treasury Obligations	\$ 69,118,621	54,012,000	15,106,621	-	-	N/A	N/A
U.S. Sponsored Agency Obligations	143,858,491	75,297,170	68,561,321	-	-	Aaa	AAA
Collateralized Repurchase Agreements	4,982,098	4,982,098	-	-	-	N/A	N/A
Collateralized Investment Agreements	1,120,000	-	-	1,120,000	-	A1	A+ (Fitch)
Collateralized Investment Agreements	3,139,981	-	-	-	3,139,981	A3	A-
Collateralized Investment Agreements	4,930,000	-	-	-	4,930,000	Aaa	AA-
Money Market Funds - U.S. Treasury	3,986,824	3,986,824	-	-	-	N/A	N/A
Money Market Funds - U.S. Agencies	41,667,056	41,667,056	-	-	-	Aaa	AAAm
External Investment Trust	16,950,000	16,950,000	-	-	-	Not rated	Not rated
Tax Increment Financing Investments	2,767,427	-	238,953	1,414,915	1,113,559	Not rated	Not rated
Fixed Income Mutual Funds	135,703	135,703	-	-	-	Not rated	Not rated
Equities	269,047	269,047	-	-	-	Not rated	Not rated
Complementary Strategies	53,285	53,285	-	-	-	Not rated	Not rated
Real Assets	80,834	80,834	-	-	-	Not rated	Not rated
Total General City	293,059,367	197,434,017	83,906,895	2,534,915	9,183,540		
<b>Community Health Endowment:</b>							
Money Market Mutual Funds	519,671	519,671	-	-	-	Not rated	Not rated
Mutual Funds							
Convertible Bonds	5,007,595	5,007,595	-	-	-	Not rated	Not rated
Institutional Funds							
Fixed Income	11,439,866	11,439,866	-	-	-	Not rated	Not rated
Intermediate Term Credit	6,555,625	6,555,625	-	-	-	Not rated	Not rated
Large Cap Equity	6,492,897	6,492,897	-	-	-	Not rated	Not rated
International Equity	5,017,156	5,017,156	-	-	-	Not rated	Not rated
High-Yield Bonds	4,001,450	4,001,450	-	-	-	Not rated	Not rated
Emerging Markets Equity	2,999,230	2,999,230	-	-	-	Not rated	Not rated
Hedge Funds	2,555,718	2,555,718	-	-	-	Not rated	Not rated
U.S. Treasuries	2,516,591	2,516,591	-	-	-	Not rated	Not rated
Small Cap Equity	1,512,406	1,512,406	-	-	-	Not rated	Not rated
Commodities	1,253,818	1,253,818	-	-	-	Not rated	Not rated
Real Estate	257,029	257,029	-	-	-	Not rated	Not rated
Limited Partnership	1,168,240	1,168,240	-	-	-	Not rated	Not rated
U.S. Treasuries	1,409,827	-	1,409,827	-	-	Aaa	AAA
Securities lending short-term investment pool	1,025,994	1,025,994	-	-	-	Not rated	Not rated
Total Community Health Endowment:	53,733,113	52,323,286	1,409,827	-	-		
<b>Police &amp; Fire Pension Trust:</b>							
Corporate Bonds	1,331,400	-	-	-	1,331,400	B (Fitch)	B+
Mutual Funds	135,177,710						
Private Equity	464,992						
Real Estate Limited Partnerships	9,712,116						
Total Police & Fire Pension Trust	146,686,218						
Total Primary Government	\$ 493,478,698						

**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, 2010, 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 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.

<u>Type</u>	<u>Portfolio Composition</u>	<u>Policy Limits on Issuer</u>
U.S. agency obligations:		
Federal Home Loan Bank	23.91 %	40.00 %
Federal Home Loan Mortgage Corporation	7.26	40.00
Federal National Mortgage Association	12.67	40.00
Federal Farm Credit Bank	5.26	40.00

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

Community Health Endowment (CHE) Policy

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

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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 requires the average duration of the fixed income portfolio to be no more than 120% of the appropriate fixed income benchmark. Mutual and institutional funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

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

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

*Foreign Currency Risk.* This risk relates to adverse affects on the fair value of an investment from changes in exchange rates. CHE had no investment denominated in foreign currency at August 31, 2010.

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, 2010:

	Totals		
Investments	\$ 493,478,698		
Deposits and Cash on Hand	2,234,242		
	<u>\$ 495,712,940</u>		
	Government-wide	Fiduciary Funds	
	Statement of	Statement of	
	Net Assets	Net Assets	Totals
Cash and Cash Equivalents	\$ 82,317,793	3,985,042	86,302,835
Investments	148,704,783	150,340,717	299,045,500
Invested Securities Lending	1,025,994	-	1,025,994
Restricted Assets:			
Cash and Cash Equivalents	18,790,915	-	18,790,915
Investments	90,547,696	-	90,547,696
	<u>\$ 341,387,181</u>	<u>154,325,759</u>	<u>495,712,940</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, 2010, securities lending transactions included U.S. treasuries and U.S. agency obligations.

Cash collateral is invested in one of the lending agent's short-term investment pools that had an average duration of 85 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. Either CHE or the borrowers can terminate all securities loans on demand. Subsequent to August 31, 2010, CHE liquidated the securities lending transactions and terminated its participation in the program.

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(5) **RECEIVABLES**

Receivables at August 31, 2010, consist of the following (in thousands):

Fund	Taxes	Accounts	Loans	Contributions	<u>Special Assessment</u>		Accrued Interest	Gross Receivables	Allowance For Uncollectibles	Net
					Current	Deferred				
General	\$ 3,177	1,529	-	-	-	-	81	4,787	-	4,787
Street Construction	-	996	-	-	-	-	97	1,093	-	1,093
West Haymarket JPA	-	-	-	-	-	-	1	1	-	1
Wastewater System	-	5,679	-	-	-	-	131	5,810	-	5,810
Water System	-	6,513	-	-	-	-	108	6,621	-	6,621
Electric System	-	26,384	-	-	-	-	248	26,632	-	26,632
Nonmajor -										
Special Revenue	1,174	467	24,607	-	382	1,250	188	28,068	5,164	22,904
Debt Service	795	-	-	-	-	-	93	888	-	888
Capital Projects	-	1	-	-	-	-	77	78	-	78
Permanent	-	-	-	-	-	-	15	15	-	15
Enterprise	-	5,352	-	-	-	-	96	5,448	3,460	1,988
Internal Service	-	237	-	-	-	-	162	399	-	399
Fiduciary	-	36	-	389	-	-	727	1,152	-	1,152
	<u>\$ 5,146</u>	<u>47,194</u>	<u>24,607</u>	<u>389</u>	<u>382</u>	<u>1,250</u>	<u>2,024</u>	<u>80,992</u>	<u>8,624</u>	<u>72,368</u>

Enterprise funds customer accounts receivable include unbilled charges for services.

Delinquent special assessment receivables at August 31, 2010, were \$194,468.

(6) **DUE FROM OTHER GOVERNMENTS**

The total of Due From Other Governments of \$27,971,533 includes the following significant items:

<u>Fund/Fund Type</u>	<u>Amount</u>	<u>Service</u>
General/General	\$ 9,633,161	State of Nebraska, July/August Sales and Use Tax
	392,007	August Motor Vehicle Taxes Collected by Lancaster County
	67,154	Federal Government, Cost Reimbursements
	17,167	State of Nebraska, Cost Reimbursements
	125,707	Lancaster County, Cost Reimbursements
Street Construction/Special Revenue	2,921,919	State of Nebraska, July/August Highway User Fees
	179,875	Railroad Transportation Safety District, Cost Reimbursements
	8,338,417	Federal Government, Cost Reimbursements
	20,164	State of Nebraska, Cost Reimbursements
	439,412	Lancaster County, Cost Reimbursements
Lincoln Area Agency on Aging/Special Revenue	13,136	Federal Government, Cost Reimbursements
Lincoln/Lancaster Co. Health/Special Revenue	355,621	Lancaster County, Cost Reimbursements
Snow Removal/Special Revenue	101,594	August Motor Vehicle Taxes Collected by Lancaster County
StarTran/Special Revenue	26,815	Federal Government, Cost Reimbursements
Federal Grants/Special Revenue	3,077,747	Federal Government, Cost Reimbursements
	666,246	State of Nebraska, Cost Reimbursements
Antelope Valley/Tax Supported Bonds/Debt Service	166,666	State of Nebraska, July/August Development Fund Disbursements
Vehicle Tax/Capital Projects	995,534	August Motor Vehicle Taxes Collected by Lancaster County
Storm Sewer Construction/Capital Projects	24,893	Federal Government, Cost Reimbursements
Information Services/Internal Service	336,850	Lancaster County Billings
Fleet Services/Internal Service	11,506	Lincoln Public Schools Billings
Copy Services/Internal Service	<u>22,570</u>	Lancaster County Billings
Subtotal	27,934,161	
All other	<u>37,372</u>	
Total Due From Other Governments	<u>\$ 27,971,533</u>	

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(7) **CAPITAL ASSETS**

Capital asset activity for the year ended August 31, 2010 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental Activities:</b>				
Capital Assets, not being Depreciated:				
Land	\$ 65,038,172	1,305,178	2,477,225	63,866,125
Construction in Progress	89,070,850	13,015,846	13,465,695	88,621,001
Total Capital Assets, not being Depreciated	154,109,022	14,321,024	15,942,920	152,487,126
Capital Assets, being Depreciated:				
Buildings	74,492,330	2,317,474	147,222	76,662,582
Improvements Other Than Buildings	61,762,633	3,387,349	227,817	64,922,165
Machinery and Equipment	77,567,053	7,042,858	2,927,207	81,682,704
Infrastructure	512,144,037	22,895,115	108,546	534,930,606
Total Capital Assets, being Depreciated	725,966,053	35,642,796	3,410,792	758,198,057
Less Accumulated Depreciation for:				
Buildings	28,984,131	1,868,252	140,031	30,712,352
Improvements Other Than Buildings	24,912,466	1,950,067	129,809	26,732,724
Machinery and Equipment	46,524,484	6,328,168	2,770,885	50,081,767
Infrastructure	164,888,695	15,498,708	25,436	180,361,967
Total Accumulated Depreciation	265,309,776	25,645,195	3,066,161	287,888,810
Total Capital Assets, being Depreciated, Net	460,656,277	9,997,601	344,631	470,309,247
Governmental Activities Capital Assets, Net	\$ 614,765,299	24,318,625	16,287,551	622,796,373
	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type Activities:</b>				
Capital Assets, not being Depreciated:				
Land	\$ 21,691,556	367,472	108,476	21,950,552
Construction in Progress	105,586,567	59,195,878	114,409,768	50,372,677
Total Capital Assets, not being Depreciated	127,278,123	59,563,350	114,518,244	72,323,229
Capital Assets, being Depreciated:				
Buildings	192,385,546	1,080,445	155,824	193,310,167
Improvements Other Than Buildings	561,805,034	45,458,544	3,360,482	603,903,096
Machinery and Equipment	27,641,957	2,689,264	1,207,439	29,123,782
Utility Plant	1,128,630,000	68,127,000	4,357,000	1,192,400,000
Total Capital Assets, being Depreciated	1,910,462,537	117,355,253	9,080,745	2,018,737,045
Less Accumulated Depreciation for:				
Buildings	62,349,048	4,573,420	155,824	66,766,644
Improvements Other Than Buildings	149,444,539	11,704,462	3,360,482	157,788,519
Machinery and Equipment	16,320,107	1,722,919	1,151,255	16,891,771
Utility Plant	399,228,000	36,311,000	3,848,000	431,691,000
Total Accumulated Depreciation	627,341,694	54,311,801	8,515,561	673,137,934
Total Capital Assets, being Depreciated, Net	1,283,120,843	63,043,452	565,184	1,345,599,111
Business-type Activities Capital Assets, Net	\$ 1,410,398,966	122,606,802	115,083,428	1,417,922,340

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Depreciation expense was charged to functions/programs as follows:

<b>Governmental Activities:</b>	
General Government	\$ 1,103,159
Public Safety	1,851,825
Streets and Highways, including Infrastructure	14,868,202
Culture and Recreation	3,559,691
Economic Opportunity	59,205
Health and Welfare	279,387
Mass Transit	1,468,805
Subtotal	<u>23,190,274</u>
<b>Internal Service Funds Capital Assets</b>	
Depreciation is charged to the various functions based on usage of the assets.	2,454,921
<b>Total Depreciation Expense - Governmental</b>	<u><u>\$ 25,645,195</u></u>
<b>Business-type Activities:</b>	
Parking Lots	\$ 26,983
Golf	535,153
Parking Facilities	1,146,213
Pershing Municipal Auditorium	47,657
Solid Waste Management	1,919,100
Wastewater System	7,163,336
Water System	7,162,359
Lincoln Electric System	36,311,000
<b>Total Depreciation Expense - Business-type</b>	<u><u>\$ 54,311,801</u></u>

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Lincoln Wastewater System:</b>				
<b>Capital Assets, not being Depreciated:</b>				
Land	\$ 5,774,849	45,984	-	5,820,833
Construction in Progress	3,799,297	7,712,835	4,987,546	6,524,586
<b>Total Capital Assets, not being Depreciated</b>	<u>9,574,146</u>	<u>7,758,819</u>	<u>4,987,546</u>	<u>12,345,419</u>
<b>Capital Assets, being Depreciated:</b>				
Buildings	75,192,066	323,456	155,824	75,359,698
Improvements Other Than Buildings	242,828,463	5,002,341	2,801	247,828,003
Machinery and Equipment	8,783,360	81,045	312,674	8,551,731
<b>Total Capital Assets, being Depreciated</b>	<u>326,803,889</u>	<u>5,406,842</u>	<u>471,299</u>	<u>331,739,432</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings	20,013,832	1,709,167	155,824	21,567,175
Improvements Other Than Buildings	59,411,477	4,958,640	2,801	64,367,316
Machinery and Equipment	4,234,440	495,529	282,425	4,447,544
<b>Total Accumulated Depreciation</b>	<u>83,659,749</u>	<u>7,163,336</u>	<u>441,050</u>	<u>90,382,035</u>
<b>Total Capital Assets, being Depreciated, Net</b>	<u>243,144,140</u>	<u>(1,756,494)</u>	<u>30,249</u>	<u>241,357,397</u>
<b>Wastewater System Capital Assets, Net</b>	<u><u>\$ 252,718,286</u></u>	<u><u>6,002,325</u></u>	<u><u>5,017,795</u></u>	<u><u>253,702,816</u></u>

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	Beginning Balances	Increases	Decreases	Ending Balances
<b>Lincoln Water System:</b>				
Capital Assets, not being Depreciated:				
Land	\$ 5,123,119	321,488	-	5,444,607
Construction in Progress	30,363,834	7,933,962	36,180,874	2,116,922
Total Capital Assets, not being Depreciated	35,486,953	8,255,450	36,180,874	7,561,529
Capital Assets, being Depreciated:				
Buildings	66,986,924	233,058	-	67,219,982
Improvements Other Than Buildings	288,236,209	35,249,281	3,356,205	320,129,285
Machinery and Equipment	6,898,028	1,812,303	526,547	8,183,784
Total Capital Assets, being Depreciated	362,121,161	37,294,642	3,882,752	395,533,051
Less Accumulated Depreciation for:				
Buildings	21,167,628	1,729,142	-	22,896,770
Improvements Other Than Buildings	73,336,417	4,977,547	3,356,205	74,957,759
Machinery and Equipment	4,271,065	455,670	514,712	4,212,023
Total Accumulated Depreciation	98,775,110	7,162,359	3,870,917	102,066,552
Total Capital Assets, being Depreciated, Net	263,346,051	30,132,283	11,835	293,466,499
Water System Capital Assets, Net	\$ 298,833,004	38,387,733	36,192,709	301,028,028
<b>Lincoln Electric System:</b>				
Capital Assets, not being Depreciated:				
Construction in Progress	\$ 68,035,000	40,827,000	67,633,000	41,229,000
Capital Assets, being Depreciated:				
Utility Plant	1,128,630,000	68,127,000	4,357,000	1,192,400,000
Less Accumulated Depreciation	399,228,000	36,311,000	3,848,000	431,691,000
Total Capital Assets, being Depreciated, Net	729,402,000	31,816,000	509,000	760,709,000
Electric System Capital Assets, Net	\$ 797,437,000	72,643,000	68,142,000	801,938,000

During 2010, Lincoln Wastewater System incurred \$3,612,415 of interest cost, of which \$213,669 was capitalized into construction in progress. Lincoln Water System incurred \$3,247,849 of interest cost, of which \$1,108,439 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 2009 was 4.6%.

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**(8) INTERFUND BALANCES AND ACTIVITY**

Balances Due To/From Other Funds at August 31, 2010, consist of the following:

	Due To	Due From					
		General Fund	Street Construction	West Haymarket JPA	Nonmajor Governmental	Nonmajor Enterprise	Internal Service
General Fund	\$ -	338	2,461	27,984	660,892	1,040,410	1,732,085
Street Construction	1,462,925	-	-	2,956,391	-	-	4,419,316
Nonmajor Governmental	2,631,524	-	-	2,300,111	-	-	4,931,635
Lincoln Wastewater System	581,735	-	-	522,914	-	-	1,104,649
Lincoln Water System	339,412	-	-	2,454	-	-	341,866
Nonmajor Enterprise	897,150	8,006	-	-	-	-	905,156
Internal Service	1,959,616	19,138	280	107,623	11,399	47,248	2,145,304
	<u>\$ 7,872,362</u>	<u>27,482</u>	<u>2,741</u>	<u>5,917,477</u>	<u>672,291</u>	<u>1,087,658</u>	<u>15,580,011</u>

“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, 2010, consist of the following:

	Transfer To	Transfer From					
		General Fund	Street Construction	Nonmajor Governmental	Lincoln Electric System	Nonmajor Enterprise	Internal Service
General Fund	\$ -	-	400,873	1,597,000	851,029	17,999	2,866,901
Street Construction	969,393	-	11,178,647	-	-	-	12,148,040
Nonmajor Governmental	19,376,419	6,250,425	4,405,450	-	979,551	-	31,011,845
Nonmajor Enterprise	626,077	-	51,000	-	-	-	677,077
Internal Service	-	829	-	-	-	10,000	10,829
Total	<u>\$ 20,971,889</u>	<u>6,251,254</u>	<u>16,035,970</u>	<u>1,597,000</u>	<u>1,830,580</u>	<u>27,999</u>	<u>46,714,692</u>

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) DEBT OBLIGATIONS**

**SHORT-TERM**

Established by City Ordinance, LES may borrow up to \$150 million under a commercial paper note program. At December 31, 2009, 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, 2009, was 0.54 percent. The outstanding commercial paper notes are secured by a revolving credit agreement, which provides for borrowings up to \$150 million. LES pays a commitment fee for the credit agreement. Under the terms of the agreement, LES can either settle or refinance the commercial paper upon maturity. LES uses these vehicles as part of their long-term financing strategy. As such, commercial paper is renewed as it matures. The weighted average length of maturity of commercial paper for 2009 was 62 days.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Lincoln Electric System:</b>					
Commercial Paper Notes	\$ 90,000,000	514,500,000	(514,500,000)	90,000,000	90,000,000

The City of Lincoln is authorized by Ordinance No. 19402 to issue up to \$22,500,000 of General Obligation Bond Anticipation Notes and \$27,500,000 of General Obligation Tax Anticipation Notes for the purpose of providing interim financing for costs in connection with construction of a new arena and related improvements in the West Haymarket area of the City. As of August 31, 2010, only \$2,000,000 of tax anticipation notes had been issued. The notes are payable 120 days after their date of issuance and bear interest at 0.60% plus 70% of LIBOR. The full faith and credit and the taxing powers of the City have been pledged for the payment of the principal and interest on the notes. Payment of the principal and interest on the notes will be paid from the proceeds of bonds to be issued by the West Haymarket JPA (see Note 25).

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>City of Lincoln:</b>					
Tax Anticipation Notes	\$ -	2,000,000	-	2,000,000	2,000,000

**LONG-TERM**

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

Net assets of \$3,448,228, \$2,928,428, and \$9,795,813, 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

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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	12,914,750	-
Improvements	219,925	-
Infrastructure	12,460,176	-
Machinery and Equipment	1,838,042	3,278,413
Less Accumulated Depreciation, (where applicable)	<u>(4,348,400)</u>	<u>(2,271,231)</u>
Total	<u>\$ 23,600,243</u>	<u>\$ 1,217,182</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.

Lincoln Wastewater System has entered into a loan agreement with the Nebraska Department of Environmental Quality consisting of two separate contracts. Funding totaling \$5,000,000 is available under Contract A to fund certain sewer system extension and repairs. During the year ended August 31, 2010, Lincoln Wastewater System incurred project costs totaling \$4,136,604, resulting in the recognition of \$1,250,000 of federal grant funds as capital contributions and a project loan payable of \$3,048,891. The remaining \$863,396 under Contract A is not reflected on the financial statements. Under Contract B Lincoln Wastewater System has available a \$5,000,000 loan, subject to availability of state and federal funds, to finance certain projects of the system. No costs were incurred under Contract B during the year ended August 31, 2010, therefore, the available loan is not reflected on the financial statements. The interest rate for these loans range from 0.0 to 2.0 percent.



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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	\$ 4,775
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	"	525
6,350	05/29/02	Storm Sewer and Drainage	3.000 - 5.000	Serial 2004 to 2020	2010	"	4,625
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	"	6,180
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	"	4,395
9,950	06/15/05	Storm Sewer Construction	3.250 - 4.250	Serial 2006 to 2025	2015	"	8,070
8,295	06/27/07	Stormwater Drainage and Flood Mgmt	4.625 - 5.000	Serial 2008 to 2027	2017	"	7,535
Total General Bonds							<u>\$ 48,330</u>
Tax Allocation Bonds:							
1,035	04/21/04	Tax Allocation Bonds	2.000 - 3.200	Serial 2004 to 2011	2008	Semiannually	290
5,500	04/21/04	Tax Allocation Bonds	3.000 - 4.800	Serial 2004 to 2015	2010	"	3,325
365	08/15/05	Tax Allocation Bonds	4.750	Serial 2006 to 2018	Anytime	"	244
288	10/01/06	Tax Allocation Bonds	5.100	Serial 2008 to 2016	Anytime	"	219
2,205	04/05/07	Tax Allocation Bonds	5.000 - 5.550	Serial 2009 to 2018	2012	"	2,030
601	06/01/07	Tax Allocation Bonds	5.240	Serial 2008 to 2018	Anytime	"	571
388	06/01/07	Tax Allocation Bonds	5.240	Serial 2007 to 2020	Anytime	"	323
369	06/15/07	Tax Allocation Bonds	5.400	Serial 2007 to 2014	Anytime	"	239
42	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2021	Anytime	"	39
71	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2017	Anytime	"	67
474	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2022	Anytime	"	382
547	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	501
200	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	182
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>\$ 12,398</u>
Tax Supported Bonds:							
35,000	03/17/04	Highway Allocation Fund	2.000 - 5.000	Serial 2007 to 2023	2014	Semiannually	33,365
27,000	12/05/06	Highway Allocation Fund	4.000 - 5.000	Serial 2008 to 2027	2016	"	24,290
Total Tax-Supported Bonds							<u>\$ 57,655</u>
TOTAL GENERAL OBLIGATION BONDS							<u>\$ 118,383</u>
Tax Supported Bonds:							
11,080	3/13/02	Antelope Valley Project	1.500 - 5.000	Serial 2002 to 2016	2012	Semiannually	<u>\$ 6,605</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	\$ 28,060
15,765	07/31/03	Wastewater Revenue	4.625 / 5.000	Term 2025 & 2028	2013	"	15,765
18,000	08/03/05	Wastewater Revenue	4.000 - 5.000	Serial 2006 to 2030	2015	"	15,525
16,710	04/18/07	Wastewater Revenue	4.000 - 4.500	Serial 2008 to 2029	2017	"	15,310
3,750	04/18/07	Wastewater Revenue	4.375	Term 2032	2017	"	3,750
Total Wastewater Bonds							<u>\$ 78,410</u>
11,850	11/22/02	Water Revenue	2.750 - 5.000	Serial 2005 to 2017	2012	Semiannually	\$ 7,075
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	-	"	6,965
40,000	11/16/04	Water Revenue	3.000 - 5.000	Serial 2005 to 2025	2014	"	34,110
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>\$ 70,230</u>
6,695	09/08/99	Parking Revenue Series A	5.375	Term 2014	2009	"	\$ 5,525
4,360	12/18/01	Parking Revenue	3.750 - 5.000	Serial 2002 to 2017	2011	"	2,210
1,640	12/18/01	Parking Revenue	5.125	Term 2021	2011	"	1,640
Total Parking Bonds							<u>\$ 9,375</u>
3,165	11/27/01	Golf Course Revenue Refunding	2.300 - 4.050	Serial 2002 to 2011	2008	Semiannually	<u>\$ 365</u>
4,000	08/17/06	Solid Waste Management Revenue	4.000 - 4.250	Serial 2007 to 2021	2013	Semiannually	<u>\$ 3,230</u>
148,190	10/01/02	Electric Revenue and Refunding Bonds	4.000 - 5.000	Serial 2004 to 2025	2012	"	92,730
93,045	10/01/03	Electric Revenue and Refunding Bonds	3.000 - 5.000	Serial 2004 to 2026	2014	"	81,370
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	"	179,835
81,850	05/15/07	Electric Revenue and Refunding Bonds	4.500 / 4.750	Term 2034 & 2037	2016	"	81,850
Total Electric Bonds							<u>\$ 584,050</u>
TOTAL REVENUE BONDS							<u>\$ 745,660</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
2011	\$ 7,288	5,130	685	299	3,575	1,010
2012	8,162	4,816	710	271	4,008	920
2013	8,063	4,474	740	238	2,779	798
2014	8,385	4,120	780	200	2,772	709
2015	8,700	3,746	815	162	2,863	618
2016 - 2020	41,294	12,956	2,875	173	8,504	1,825
2021 - 2025	31,551	4,516	-	-	2,673	729
2026 - 2030	4,940	319	-	-	1,662	137
2031 - 2035	-	-	-	-	153	3
	<u>\$ 118,383</u>	<u>40,077</u>	<u>6,605</u>	<u>1,343</u>	<u>28,989</u>	<u>6,749</u>

Fiscal Year Ended August 31	Business-Type Activities					
	Revenue Bonds		Loans Payable		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 29,000	35,271	-	-	318	31
2012	28,750	33,895	112	62	258	24
2013	27,800	32,481	139	35	198	18
2014	29,265	31,121	140	33	205	13
2015	28,955	29,673	142	32	152	7
2016 - 2020	166,625	125,483	735	133	197	7
2021 - 2025	128,475	87,971	780	89	-	-
2026 - 2030	111,185	60,614	829	40	-	-
2031 - 2035	116,345	33,258	172	2	-	-
2036 - 2040	79,260	6,078	-	-	-	-
	<u>\$ 745,660</u>	<u>475,845</u>	<u>3,049</u>	<u>426</u>	<u>1,328</u>	<u>100</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
2011	\$ 2,785	3,607	6,310	3,192	17,820	27,840
2012	2,992	3,566	5,380	2,905	18,680	26,956
2013	3,119	3,423	3,310	2,647	19,610	26,007
2014	3,225	3,296	3,425	2,506	20,595	25,010
2015	3,347	3,147	3,555	2,354	21,620	23,972
2016 - 2020	18,760	13,338	20,055	9,147	125,255	102,390
2021 - 2025	23,115	8,691	20,130	4,300	84,860	75,017
2026 - 2030	21,389	3,078	4,045	1,434	86,580	56,141
2031 - 2035	2,727	171	4,020	464	109,770	32,626
2036 - 2040	-	-	-	-	79,260	6,078
	<u>\$ 81,459</u>	<u>42,317</u>	<u>70,230</u>	<u>28,949</u>	<u>584,050</u>	<u>402,037</u>

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Long-term liability activity for the year ended August 31, 2010 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	\$ 52,440	-	(4,110)	48,330	3,835
Tax Allocation Bonds	13,356	-	(958)	12,398	1,003
Tax Supported Bonds	59,385	-	(1,730)	57,655	2,450
Tax Supported Antelope Valley					
Project Bonds	7,265	-	(660)	6,605	685
Capital Leases	28,094	4,132	(3,237)	28,989	3,575
Gross Bonds and Leases Payable	160,540	4,132	(10,695)	153,977	11,548
Deferred Amounts:					
For Issuance Premiums	2,698	-	(100)	2,598	-
For Issuance Discounts	(23)	-	2	(21)	-
Net Bonds and Leases Payable	163,215	4,132	(10,793)	156,554	11,548
Other Liabilities:					
Compensated Absences	12,654	7,316	(6,780)	13,190	7,021
Construction Contracts	5,237	650	(800)	5,087	530
Claims and Judgements	8,564	22,118	(21,968)	8,714	5,098
Net Pension Obligation	3,983	51	(438)	3,596	-
Net OPEB Obligation	711	1,340	-	2,051	-
Governmental Activities Long-Term Liabilities	\$ 194,364	35,607	(40,779)	189,192	24,197
<b>Business-Type Activities:</b>					
Bonds, Loans and Leases Payable:					
Wastewater Revenue Bonds	\$ 81,105	-	(2,695)	78,410	2,785
Wastewater Loan Payable	-	3,049	-	3,049	-
Water Revenue Bonds	76,280	-	(6,050)	70,230	6,310
Parking Revenue Bonds	10,810	-	(1,435)	9,375	1,510
Golf Course Revenue Bonds	715	-	(350)	365	365
Solid Waste Management Revenue Bonds	3,430	-	(200)	3,230	210
Electric System Revenue Bonds	601,050	-	(17,000)	584,050	17,820
Capital Leases	338	1,190	(200)	1,328	318
Gross Bonds, Loans and Leases Payable	773,728	4,239	(27,930)	750,037	29,318
Deferred Amounts:					
For Issuance Premiums	18,576	-	(2,593)	15,983	-
For Issuance Discounts	(12,349)	-	1,776	(10,573)	-
For Refunding	(2,637)	-	430	(2,207)	(6)
Net Bonds and Leases Payable	777,318	4,239	(28,317)	753,240	29,312
Other Liabilities:					
Compensated Absences	1,643	1,049	(1,004)	1,688	1,052
Construction Contracts	5,451	645	(2,187)	3,909	-
Claims and Judgements	1,001	7,185	(7,708)	478	478
Accrued Liabilities	-	33	-	33	-
Net OPEB Obligation	119	231	-	350	-
Accrued Landfill Closure/Postclosure Care Costs	9,796	3,694	-	13,490	-
Business-Type Activities Long-Term Liabilities	\$ 795,328	17,076	(39,216)	773,188	30,842

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, 2010, 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	81,105	-	(2,695)	78,410	2,785
Wastewater Loan Payable	-	3,049	-	3,049	-
Deferred For Issuance Premiums	1,794	-	(93)	1,701	-
Deferred For Issuance Discounts	(10)	-	-	(10)	-
Net Bonds Payable	82,889	3,049	(2,788)	83,150	2,785
Other Liabilities:					
Compensated Absences	515	359	(330)	544	348
Construction Contracts	2,889	54	(261)	2,682	-
Net OPEB Obligation	29	55	-	84	-
Total Long-Term Liabilities	\$ 86,322	3,517	(3,379)	86,460	3,133
<b>Lincoln Water System:</b>					
Bonds Payable:					
Water Revenue Bonds	\$ 76,280	-	(6,050)	70,230	6,310
Deferred for Issuance Premiums	2,180	-	(336)	1,844	-
Deferred For Issuance Discounts	(36)	-	1	(35)	-
Deferred for Refunding	(401)	-	135	(266)	-
Net Bonds Payable	78,023	-	(6,250)	71,773	6,310
Other Liabilities:					
Compensated Absences	758	404	(381)	781	409
Construction Contracts	2,562	591	(1,926)	1,227	-
Net OPEB Obligation	41	78	-	119	-
Total Long-Term Liabilities	\$ 81,384	1,073	(8,557)	73,900	6,719
<b>Lincoln Electric System:</b>					
Bonds Payable:					
Electric System Revenue Bonds	\$ 601,050	-	(17,000)	584,050	17,820
Deferred for Issuance Premiums	14,592	-	(2,165)	12,427	-
Deferred for Issuance Discounts	(12,303)	-	1,775	(10,528)	-
Deferred for Refunding	(2,224)	-	290	(1,934)	-
Net Bonds Payable	601,115	-	(17,100)	584,015	17,820
Other Liabilities:					
Claims and Judgements	1,001	7,185	(7,708)	478	478
Accrued Liabilities	-	33	-	33	-
Total Long-Term Liabilities	\$ 602,116	7,218	(24,808)	584,526	18,298

**(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, 2010, which discloses the nature and amount of the adjustments necessary to convert the actual GAAP data to the budgetary basis, is presented below:

	General Fund	Street Construction Fund
Net Change in Fund Balances:		
Balance on a GAAP basis	\$ (1,829,641)	3,198,330
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.	(798,683)	(146,855)
Amount budgeted on a project basis.	-	12,727,628
Balance on a budget basis	\$ (2,628,324)	15,779,103

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**(11) DEFICIT NET ASSETS**

The following funds had a net asset or fund balance deficit as of August 31, 2010:

Major Governmental - West Haymarket JPA Fund	\$ (2,474,531)
Special Revenue - Impact Fees Fund	(101,808)
Internal Service - Engineering Revolving Fund	(331,035)

The West Haymarket JPA Fund deficit will be reduced by proceeds from the issuance of bonds.

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

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

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

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

General Fund	
Building and Plant	\$ 1,110,000
Street Lighting	2,490,797
Debt Service	49,918

**(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, 2010, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	408
Terminated plan members entitled to but not yet receiving benefits	26
Active plan members (non-DROP)	561
DROP members	55
Total	<u>1,050</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 2010 was 10.7% of annual covered payroll. Actual contributions by the City were 11.7% 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	\$ 3,752
Interest on net pension obligation	302
Adjustment to annual required contribution	<u>(478)</u>
Annual pension cost	3,576
Contributions made	<u>3,963</u>
Decrease in net pension obligation	(387)
Net pension obligation beginning	<u>3,983</u>
Net pension obligation ending	<u>\$ 3,596</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
2010	\$ 3,576	\$ 3,963	111 %	\$ 3,596
2009	3,123	3,572	114	3,983
2008	3,907	3,456	88	4,432

Actuarial Methods and Assumptions – The annual required contribution for the current year was determined as part of the August 31, 2008, 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 thirty years.

Funded Status and Funding Progress – As of August 31, 2010, the most recent actuarial valuation date, the plan was 88 percent funded. The actuarial accrued liability for benefits was \$195,206,000, and the actuarial value of assets was \$172,317,000, resulting in an unfunded actuarial accrued liability (UAAL) of

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\$22,889,000. The covered payroll (annual payroll of active employees covered by the plan) was \$34,233,000, and the ratio of the UAAL to the covered payroll was 66.86 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, 2009, LES incurred contribution expense of approximately \$3,143,000 (9.5% of covered payroll) and its employees contributed approximately \$2,117,000 (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, 2009, was \$1,806,788. City contributions totaled \$210,349 or 11.6% of covered payroll. There were no employee contributions made for the year ended December 31, 2009.

#### 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, 2009, total payroll was approximately \$73,098,000 and covered payroll was approximately \$64,753,000. City contributions totaled \$7,147,081 or 11.0% of covered payroll and employee contributions totaled \$3,693,124 or 5.7% of covered payroll. Employees made \$104,982 in voluntary contributions for the year ended December 31, 2009.

#### **(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

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coverage. The City recognizes as OPEB the implicit rate subsidy provided to retirees when their premium is the “full cost” of the insurer’s charge for the active population. Since the retirees have higher costs, the premium they pay is not expected to cover their costs, and the difference is essentially covered by the City’s payment for active employees. The City plan is a single-employer defined benefit plan. The City does not issue a separate report that includes financial statements and required supplementary information for OPEB.

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

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

The net OPEB obligation as of August 31, 2010, was calculated as follows:

(Dollar amounts in thousands)

Annual required contribution	\$ 2,111
Interest on net OPEB obligation	37
Adjustment to annual required contribution	<u>(51)</u>
Annual OPEB cost	2,097
Contributions made	<u>(526)</u>
Increase in net OPEB obligation	1,571
Net OPEB obligation beginning	830
Net OPEB obligation ending	<u><u>\$ 2,401</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 August 31	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 2,097,000	25.1 %	\$ 2,401,000
2009	656,000	37.2	830,000
2008	662,000	36.9	418,000

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

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



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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, 2009, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.5% discount rate and an annual healthcare cost trend rate of 9.5% initially, reduced by decrements to an ultimate rate of 5.0% for 2020 and beyond. Participation assumptions include 60% of eligible civilian members and 40% of eligible Fire/Police members electing coverage, with 30% and 20% participation assumed for civilian and Fire/Police spouses, respectively. The plan's unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over a period of thirty years.

PEHP – Defined Contribution Plan

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

Terms for eligibility and contribution rates are specified in the City's various collective bargaining agreements. Individual employee accounts consist of employer contributions, investment returns and any forfeiture allocations. Current employer contributions range from \$18-\$50 per pay period based on union contracts. Current year contributions totaled approximately \$894,000.

**(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 2009 tax levy, for the 2009-2010 fiscal year, was \$84,939,527 below the legal limit, with a tax rate per \$100 valuation of \$0.2879. The assessed value upon which the 2009 levy was based was \$15,746,453,582.

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 2009-2010 are recorded as revenue in the fund financial statements when expected to be collected within 60 days after August 31, 2010. 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, 2010, 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 \$8,714,070 were recorded at August 31, 2010. Excluding medical care claims approximating \$1,228,000, the remaining liability is the actuarially estimated amount of claims based on an estimate of ultimate incurred and incurred but not reported losses as of that date and is calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs, and other economic and social factors. The claims liability estimate also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of their allocation to specific claims. These liabilities have been discounted using a 2.36% 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, 2010 and 2009:

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

<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	\$ 6,267,000	604,770	1,691,707	8,563,477

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>2009</u>	<u>2008</u>
Balance beginning of year	\$ 1,001,000	1,202,000
Claims accrued	7,185,000	3,848,000
Claims paid/other	(7,708,000)	(4,049,000)
Balance end of year	\$ 478,000	1,001,000

**(17) COMMITMENTS AND CONTINGENCIES**

GENERAL

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

At August 31, 2010, approximately 96% of the full-time, regular City's employees are represented by a Union. The existing union contracts will expire either in August 2011 or August 2012. Public Association of Government Employees contract negotiations are currently under review by the Commission on Industrial Relations.

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

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the extent of remediation required. Management does not believe that changes in these cost estimates will have a materially adverse effect on the financial statements.

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

The City has entered into various agreements with developers 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, 2010, the City's commitment to developers is estimated to be approximately \$41,000,000.

#### STREET CONSTRUCTION PROJECTS

The City's Street Construction Capital Projects Fund has commitments under major construction contracts in progress of approximately \$5,500,000 as of August 31, 2010, 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 \$4,900,000 at August 31, 2010.

#### LINCOLN WATER SYSTEM

The Lincoln Water System has commitments under major construction contracts in progress of approximately \$1,600,000 as of August 31, 2010.

#### 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 \$6,600,000 in 2009. 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 \$18,600,000 in 2009.

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 \$23,400,000, \$21,000,000, \$21,800,000, \$19,600,000, and \$21,500,000, respectively, in each of the five years subsequent to December 31, 2009.

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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 \$26,000,000 are reflected in utility plant at December 31, 2009.

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 2009, LES billed the County approximately \$3,200,000 for demand and energy charges.

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

Walter Scott Energy Center (WS4)

MidAmerican Energy's Walter Scott Energy Center includes the following units: Unit #1 – a 1954 coal-fired unit built with 43 MW capacity, Unit #2 – a 1958 coal-fired unit built with 88 MW capacity, Unit #3 – a 1979 coal-fired unit built with 675 MW capacity, and Unit #4 - 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.

**(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, 2010, the City had incurred a liability of approximately \$9,140,000 for the municipal solid waste landfill which represents the amount of costs reported to date based on the approximately 47 percent of landfill capacity used to date. The remaining estimated liability for these costs is approximately \$10.1 million, which will be recognized as the remaining capacity is used (estimated to be approximately 24 years).

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As of August 31, 2010, the City had incurred a liability of approximately \$558,000 for the construction and demolition debris landfill which represents the amount of costs reported to date based on the approximately 52 percent of landfill capacity used to date. The remaining estimated liability for these costs is approximately \$508,000, which will be recognized as the remaining capacity is used (estimated to be approximately 20 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, 2010, a liability for closure and postclosure care costs is recorded in the amount of approximately \$3,792,000, 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, 2010.

**(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 \$82,307,000 for the Water System and \$94,913,000 for the Wastewater System based on borrowing rates currently available as of August 31, 2010.

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

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

**(20) SEGMENT INFORMATION**

The City has issued revenue bonds and other debt instruments to finance capital construction and acquisitions for both the 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,

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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, 2010, is presented as follows:

	Golf	Parking Facilities	Solid Waste Management
<b>CONDENSED STATEMENT OF NET ASSETS</b>			
Assets:			
Current Assets, excluding Due from Other Funds	\$ 69,933	6,595,701	9,198,687
Due from Other Funds	20,554	352,048	443,862
Restricted Assets	399,838	2,500,861	394,336
Deferred Charges	8,868	259,619	60,969
Capital Assets	5,722,449	35,118,904	19,661,219
Total Assets	<u>6,221,642</u>	<u>44,827,133</u>	<u>29,759,073</u>
Liabilities:			
Current Liabilities, excluding Due to Other Funds	998,377	2,627,327	617,984
Due to Other Funds	600,389	1,848	2,197
Noncurrent Liabilities	496,310	7,866,328	16,574,228
Total Liabilities	<u>2,095,076</u>	<u>10,495,503</u>	<u>17,194,409</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	5,020,071	27,565,296	16,821,065
Restricted	107,175	966,631	14,490
Unrestricted	(1,000,680)	5,799,703	(4,270,891)
Total Net Assets	<u>\$ 4,126,566</u>	<u>34,331,630</u>	<u>12,564,664</u>
<b>CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS</b>			
Operating Revenues	\$ 2,777,524	6,747,738	5,322,585
Depreciation Expense	(535,153)	(1,146,213)	(1,919,100)
Other Operating Expenses	<u>(2,562,064)</u>	<u>(3,340,601)</u>	<u>(8,482,526)</u>
Operating Income (Loss)	(319,693)	2,260,924	(5,079,041)
Nonoperating Revenues (Expenses):			
Investment Earnings	(2,765)	121,654	70,400
Loss on Disposal of Capital Assets	(5,212)	-	(62,895)
Insurance Recovery	1,900	-	-
Occupation Tax	-	-	1,984,400
Interest Expense and Fiscal Charges	(63,017)	(602,262)	(143,254)
Capital Contributions	71,722	-	61,270
Transfers	46,500	(843,000)	(979,551)
Change in Net Assets	<u>(270,565)</u>	<u>937,316</u>	<u>(4,148,671)</u>
Beginning Net Assets	4,397,131	33,394,314	16,713,335
Ending Net Assets	<u>\$ 4,126,566</u>	<u>34,331,630</u>	<u>12,564,664</u>
<b>CONDENSED STATEMENT OF CASH FLOWS</b>			
Net Cash Provided (Used) by:			
Operating Activities	\$ 292,121	3,552,865	557,259
Noncapital Financing Activities	344,665	(822,518)	1,177,788
Capital and Related Financing Activities	(634,013)	(2,267,319)	(4,266,791)
Investing Activities	<u>(12,126)</u>	<u>1,001,393</u>	<u>1,613,670</u>
Net Increase (Decrease) in Cash	(9,353)	1,464,421	(918,074)
Beginning Balance	118,015	2,090,624	3,258,436
Ending Balance	<u>\$ 108,662</u>	<u>3,555,045</u>	<u>2,340,362</u>

**(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 \$96,508,891 in wastewater revenue bonds & loans. Proceeds provided financing for improvements to the sanitary sewer system, as well as refunding a \$4.5 million loan to the City from the Nebraska Department of Environmental Quality. The debt is payable solely from the net earnings of the Wastewater System and are payable through 2032. The total principal and interest remaining to be paid on the debt is \$123,775,832, with annual payments expected to require 59 percent of net revenues. Principal and interest paid for the current year and net system revenues were \$6,426,444 and \$10,807,502, respectively.

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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 \$99,179,389, with annual payments expected to require 76.5 percent of net revenues. Principal and interest paid for the current year and net system revenues were \$9,508,097 and \$12,424,175, 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 \$986,087,000, with annual payments expected to require 52 percent of net revenues. Principal and interest paid for the current year and net system revenues were \$45,946,000 and \$91,687,000, 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 \$379,782, with annual payments expected to require 83 percent of net revenues. Principal and interest paid for the current year and net system revenues were \$378,783 and \$217,360, 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 \$11,394,813, with annual payments expected to require 50 percent of net revenues. Principal and interest paid for the current year and net system revenues were \$1,993,519 and \$3,528,791, 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 \$4,162,312, with annual payments expected to require 15 percent of net revenues. Principal and interest paid for the current year and net system revenues were \$340,425 and \$0, respectively.



CITY OF LINCOLN, NEBRASKA  
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**(22) PUBLIC BUILDING COMMISSION**

In 1990, the City and the County of Lancaster, pursuant to state statute, activated a separate governmental entity denominated as the Lincoln-Lancaster County Public Building Commission. The purpose of this joint venture is to design, acquire, construct, maintain, operate, improve, remodel, remove and reconstruct, so long as its corporate existence continues, public buildings, structures, or facilities for use jointly by the City and the County. The City and the County each appoint two members to the five-member Commission, with the fifth member being appointed by the other four members. All property held or acquired by the Commission is held or acquired in the name of the City and the County for use by the Commission in its corporate capacity. The Commission's costs of operation and debt service are funded through rental payments made by the City and the County based upon their proportionate occupancy of such buildings to the extent not covered by a maximum property tax levy of 1.7 cents for each \$100 of actual valuation of taxable property in the County. For the year ended August 31, 2010, the City made rental payments of approximately \$2.6 million to the Commission.

As of August 31, 2010, the Commission has bonds outstanding of \$43,770,000 attributable to several bond issues. Certain proceeds from the bonds totaling \$28,925,000 have been utilized by the Commission to acquire, construct, and/or renovate certain buildings occupied by the City and County. The City's proportionate share of such buildings are recorded as capital assets and the corresponding debt are reflected as capital leases in the City's financial statements. Lease payments are not recorded as capital lease payments in the Debt Service funds but rather are recorded as current expenditures in the various individual funds.

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

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

**(23) JOINT ANTELOPE VALLEY AUTHORITY**

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

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

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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, 2010, total assets of JAVA reached approximately \$182 million, an increase of \$3 million from the prior year. The City's equity interest increased by approximately \$3 million to \$153 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 \$280,000 in 2009. The total amount of payments to LES for energy was approximately \$84,000 in 2009.

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 \$89,000 in 2009. The total amount of payments to LES for energy was approximately \$9.5 million in 2009.

CITY OF LINCOLN, NEBRASKA  
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**(25) SUBSEQUENT EVENTS**

In September 2010, the WHJPA issued \$100,000,000 in General Obligation Facility Bonds, Taxable Series 2010A, to provide a portion of the funds necessary to pay the costs of constructing, equipping, furnishing, and financing the development of the West Haymarket facilities. Debt service principal payments are scheduled annually beginning in 2020 at amounts that range from \$2,440,000 to \$5,855,000 with the final maturity December 2045. The bonds are Build America Bonds and, as such, the WHJPA has elected to receive a federal subsidy of 35 percent from the U.S. Department of the Treasury for a portion of the interest payable on the bonds. The interest rates on the bonds range from 3.50 to 5.00 percent prior to the federal subsidy. The federal subsidy reduces the true interest cost to 3.20 percent.

In December 2010, the WHJPA issued an additional \$100,000,000 in General Obligation Facility Bonds, Series 2010B and C. The first series was \$67,965,000 of taxable Build America Bonds, with the federal government providing a 35 percent subsidy. The second series was \$32,035,000 of taxable Recovery Zone Economic Development Bonds, which have a federal subsidy of 45 percent. Debt service principal payments are scheduled annually beginning in 2020 at amounts that range from \$2,440,000 to \$5,855,000 with the final maturity December 2045. The two series have interest rates ranging from 4.00 to 6.75 percent prior to the federal subsidy. The federal subsidy reduces the true interest cost to 3.75 percent.

In November 2010, the City issued \$7,780,000 in Certificates of Participation, Series 2010B, to provide funds for the purchase and improvements to the former Experian Building. Interest rates range from 2.00 to 3.50 percent and the final maturity is November 2025. Debt service principal payments are scheduled annually at amounts that range from \$495,000 to \$650,000.

Also in December 2010, the City issued \$2,065,000 of taxable Parking Revenue Bonds, Series 2010B, to provide a portion of the funds necessary to pay the costs of constructing a new downtown garage. The interest rates on the bonds range from 1.25 to 2.85 percent and the final maturity is August 2014. Debt service principal payments are scheduled annually at amounts that range from \$305,000 to \$600,000.

In January 2011, the City issued an additional \$18,520,000 of tax exempt Parking Revenue Bonds, Series 2011, to provide the remainder of funds necessary to pay the costs of constructing a new downtown garage and the refunding of the 1999A bonds. The interest rates on the bonds range from 2.000 to 5.209 percent and the final maturity is August 2031. Debt service principal payments are scheduled annually at amounts that range from \$545,000 to \$1,780,000.

In February 2011, the City issued \$8,200,000 of General Obligation Stormwater Bonds, Series 2011, to provide a portion of the funds necessary to pay the costs of constructing extensions of and improvements to the City's stormwater system. The interest rates on the bonds range from 2.00 to 4.50 percent and the final maturity is June 2030. Debt service principal payments are scheduled annually at amounts that range from \$365,000 to \$615,000.

**CITY OF LINCOLN, NEBRASKA**  
**Required Supplementary Information**  
**August 31, 2010**

**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, 2010	\$ 172,317	\$ 195,206	\$ 22,889	88.3 %	\$ 34,233	66.9 %
August 31, 2009	177,526	187,292	9,766	94.8	33,450	29.2
August 31, 2008	179,390	179,376	(14)	100.0	32,266	(0.0)
August 31, 2007	171,264	169,587	(1,677)	101.0	30,546	(5.5)
August 31, 2006	157,527	161,583	4,056	97.5	30,724	13.2
August 31, 2005	145,730	151,978	6,248	95.9	29,029	21.5

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

Year Ended August 31	Annual Required Contribution	Annual Pension Contribution	Percentage Contributed
2010	\$ 3,752	\$ 3,963	106 %
2009	3,316	3,572	108
2008	4,076	3,456	85
2007	4,056	3,494	86
2006	4,077	2,893	71
2005	3,684	2,562	70

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

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

## **APPENDIX C**

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

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## APPENDIX C

### DEFINITIONS AND SUMMARIES OF CERTAIN PRINCIPAL DOCUMENTS

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

#### Definitions

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

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

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

**“Architect”** means Erickson Sullivan Architects, P.C., Lincoln, Nebraska, or any other architect or engineer hired by the City with respect to the Golf Improvements.

**“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 March 15 and September 15 during the Lease Term, commencing on March 15, 2012.

**“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 2011 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 Improvements 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 Improvements.

**“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 Personal Property.

**“Costs of the Project”** means all reasonable or necessary expenses related or incidental to the acquisition and construction of the Personal Property and the Golf Improvements, 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 shall include Costs of Issuance.

**“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.

**“Declaration of Trust”** means the Declaration of Trust dated November 30, 2011, made by the Trustee, as the same may from time to time be amended or supplemented in accordance with its terms.

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

**“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.

**“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.

**“Golf Improvements”** means the acquisition, construction, equipping and furnishing of a new clubhouse and related facilities and equipment at the City’s Holmes Golf Course.

**“Golf Project”** means the Real Property and the Golf Improvements.



**“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 November 30, 2011, 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 November 30, 2011 and ending on September 15, 2021, 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 shall be 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.

**“Personal Property”** means those items of personal property listed in the Lease, together with all replacements, repairs and additions incorporated therein or affixed thereto pursuant to certain contracts, purchase orders or other written instruments

**“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 money initially paid to the Trustee for each series of the Certificates.

**“Project”** means the Real Property, the Golf Improvements and the Personal Property.

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

**“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.

**“Real Property”** means the real property described in the Site Lease and the Lease on which the Golf Improvements will be constructed.

**“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 2011 Certificates”** means the \$4,600,000 principal amount of Certificates of Participation, Series 2011, 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.

**“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.

**“Supplemental Lease”** means any amendment or supplement to the Lease entered pursuant to 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 entered by 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 2011 Certificates, provides the terms of the Series 2011 Certificates and provides for various Funds related to the Project and the Lease.

### **Trust Estate**

Under the Declaration of Trust, the Trustee holds all of the assets, property and interests received by it under the terms of the Declaration of Trust 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 2011 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 Personal Property or the Costs of Issuance, an architect, engineer or contractor (which architect, engineer or contractor shall not be an employee of the City). The Completion Date of the Improvements 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 (including principal and accrued interest with respect to any Certificates paid prior to maturity pursuant to the Declaration of Trust).

### **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 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 will 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 or the 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 Lease or the Site Lease, or in regard to matters or questions arising under the Declaration of Trust, the Lease or the Site 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 November 30, 2011 and ends on September 15, 2021, 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 constructed or installed, any defects, malfunctions, breakdowns or infirmities in the Project or any accident, condemnation or unforeseen circumstances.

## **Payment for the Project**

Costs and expenses of every nature incurred in the acquisition, construction or installation of the Golf Improvements and the Personal Property 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 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 Improvements were substantially completed, (b) that all other facilities necessary in connection with the Improvements have been purchased, constructed and installed, (c) that the Improvements and such other facilities have been purchased, constructed 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 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 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 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 additional real property to be included in the Project or the acquisition, purchase construction or equipping 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.

### **Impositions**

The City shall bear, pay and discharge, before the delinquency thereof, as Supplemental Rent, all taxes and assessments, general and special, if any, which 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, which 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 this Article 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.

### **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 Improvements, the City will cause to be provided, insofar as the

Improvements are concerned, the insurance required by paragraph (b) below in lieu of the insurance required by this subsection (a) to the extent appropriate.

(b) To the extent appropriate, during the acquisition, construction and installation of the Improvements and in lieu of the insurance required under paragraph (a), builder's risk-completed value insurance insuring the Golf Improvements and the Personal Property 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 Improvements (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 Improvements, 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 improvements to the Project that it may deem desirable for its business purposes and that do not materially impair the structural strength or effective use, or materially decrease the value, of the Project. All additions, modifications or improvements made by the City pursuant to the authority of the Lease shall (a) be made in a workmanlike manner and in strict compliance with all laws and ordinances applicable thereto, (b) when commenced, be pursued to completion with due diligence and (c) when completed, be deemed a part of the Project.

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

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

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

The City acknowledges the provisions pertaining to eminent domain in the Site Lease. The Trustee and City agree that the terms of the Site Lease are and will be incorporated in and made a part of the Lease to the same extent as if set forth in full therein. This provision will survive the termination of the Lease for any reason.

### **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 September 15, 2016, 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 September 15, 2016.

### **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 September 15, 2016, 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 shall 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 the Lease to pay Basic Rent in the Lease Revenue Fund at the time specified therein;

(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 paragraphs (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 or 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 fails to comply with the Disclosure Undertaking will not be an Event of Default under the Lease.

### **Remedies on Default**

Whenever any Event of Default exists, the Trustee shall 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 (i) the Rent payable by the City under the Lease for the Lease Term, and (ii) 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.

## **SUMMARY OF THE SITE LEASE**

### **General**

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

### **Term**

The term of the Site Lease will commence as of November 30, 2011, and will end on September 15, 2021, unless the term is extended or sooner terminated as hereinafter provided, but in no event will the term of the Site Lease end until all of the Principal Portion and the Interest Portion of the Certificates are no longer Outstanding (as that term is defined the Declaration of Trust).

### **Rental**

As and for rental under the Site Lease and in consideration for the leasing of the Real Property to the Trustee, the Trustee will take the following actions:

- (a) simultaneously with the delivery of the Site Lease, enter into the Lease;
- (b) simultaneously with the delivery of the Site Lease, pay to the City the sum of \$1.00 and provide such other consideration as the Trustee and City may agree; and
- (c) deposit funds in the amount and in the funds and accounts established and as set forth in the Declaration of Trust.

### **Assignments and Subleases**

It is intended that the Trustee will hold the Site Lease and its rights thereunder for the benefit of Owners of the Certificates (as defined in the Declaration of Trust). The Trustee thereafter may assign the Site Lease and its rights thereunder or lease or sublease the Golf Project without the written consent of the City (a) in connection with any assignment of its rights under the Lease, (b) if the Lease is terminated for any reason, or (c) if an Event of Default as defined in the Lease has occurred.

### **Termination**

The Site Lease will terminate upon the completion of the term set forth above; provided, however, that in the event the City makes payment of the purchase price or makes all of the rental payments provided for in the Lease and exercises its option to purchase the Trustee's interest in the Golf Project pursuant to the Lease, then the Site Lease will be terminated.

If an Event of Default under the Lease occurs or if the City terminates the Lease pursuant its provisions, the Trustee will have the right to possession of the Golf Project for the remainder of the term of the Site Lease and will have the right to sublease the Golf Project or sell its interest in the Golf Project and the Site Lease upon whatever terms and conditions it deems prudent.

### **Default**

The City will not have the right to exclude the Trustee from the Golf Project or take possession of the Golf Project (other than pursuant to the Lease) or to terminate the Site Lease prior to the expiration of its



term upon any default by the Trustee under the Site Lease, except that if, upon the exercise of the option to purchase the Trustee's interest in the Golf Project granted to the City in the Lease and after the payment of the purchase price specified therein and other sums payable under the Lease, the Trustee fails to convey its interest in the Golf Project to the City pursuant to such option, then the City will have the right to terminate the Site Lease, such termination to be effective 30 days after delivery of written notice of such termination to the Trustee. In the event of any default by the Trustee thereunder, however, the City may maintain an action, if permitted in equity, for specific performance.

### **Quiet Enjoyment**

At all times during the term of the Site Lease, the Trustee will peaceably and quietly have, hold and enjoy all of the Golf Project, and the City will provide to the Trustee the ability to quietly have, hold and enjoy all of the Golf Project, all of this being subject to the rights of the City under the Lease.

### **Taxes and Assessments**

The City covenants and agrees to pay any and all assessments of any kind or character and all taxes levied or assessed upon the Project.

### **Eminent Domain**

(a) In the event the whole or any part of the Project is taken by eminent domain proceedings, the interest of the Trustee will be recognized. The proceeds of such condemnation will be applied as provided in the Lease. Under Nebraska statutes, the City has the power to condemn property for its purposes, and the City acknowledges that if the City condemned the Project, such action could adversely affect the continuation of the Site Lease. The City further acknowledges that condemnation of the Project would adversely affect the Trustee and that without the Trustee's interest in the Project, the Trustee might not lease the Project to the City pursuant to the Lease.

The City and the Trustee have reached agreement on the terms of the acquisition of the Golf Project, at City's option, and to the use of the Golf Project, all as set forth in the Lease. Any acquisition of the Trustee's interest in the Golf Project or rights to its use by the City (whether pursuant to the exercise of eminent domain powers or otherwise) will be pursuant to and in accordance with the Lease, including payment of Rent Payments and the applicable Purchase Price (as defined and set forth in the Lease). If the City allows the Lease to expire without exercising its option to purchase (whether by failure to exercise its option to extend the Lease for a Renewal Term, failure to exercise its option to purchase at the conclusion of the maximum Lease Term or failure to cure an Event of Default (as those terms are defined in the Lease)), that action will constitute an irrevocable determination by the City that the Golf Project is not required by it for any public purpose for the term of the Site Lease.

The City covenants and agrees, to the extent it may lawfully do so, that if for any reason it exercises the power of eminent domain with respect to the Golf Project, the appraisement value of the Golf Project will not be less than the Rent Payments then due plus the then applicable Purchase Price as defined and set forth in the Lease.

### **Leaseback to City; Term; Rental**

Contemporaneously with the Site Lease, the Trustee and the City will execute the Lease whereby (a) the Trustee leases back to the City and the City leases from the Trustee the Real Property, and (b) the Trustee leases to the City and the City leases from the Trustee the Project, all in accordance therewith. The

Lease includes the option of the City, upon payment of the specified purchase price, to purchase the Trustee's interest in the Project.

## **APPENDIX D**

### **BOOK-ENTRY SYSTEM**

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## BOOK-ENTRY SYSTEM

The Depository Trust Company, New York, NY, will act as securities depository for the Series 2011B Certificates. The Series 2011B Certificates will be issued in fully registered form registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2011B Certificate will be issued for each maturity of the Series 2011B Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Series 2011B Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2011B Certificates on DTC's records. The ownership interest of each actual purchaser of each Series 2011B 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 2011B Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2011B Certificates, except in the event that use of the book-entry system for the Series 2011B Certificates is discontinued.

To facilitate subsequent transfers, all Series 2011B Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2011B Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2011B Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2011B Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2011B Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2011B Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Series 2011B Certificate documents. For example, Beneficial Owners of Series 2011B Certificates may wish to ascertain that the nominee holding the Series 2011B 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 will be sent to DTC. If less than all of the Series 2011B Certificates within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2011B Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2011B Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2011B Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City, or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Series 2011B Certificates held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the City, subject to any statutory or regulatory requirements as may be in effect from time to time.

Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, 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 2011B Certificates at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2011B Certificates will be printed and delivered to DTC.

*The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC, and neither the City nor the Underwriter takes responsibility for the accuracy thereof, and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

## **APPENDIX E**

### **FORM OF OPINION OF SPECIAL TAX COUNSEL**

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November 30, 2011

The City of Lincoln, Nebraska  
Lincoln, Nebraska

Union Bank and Trust Company, Trustee  
Lincoln, Nebraska

Robert W. Baird & Co. Incorporated  
Winston-Salem, North Carolina

Re: \$4,600,000 Certificates of Participation, Series 2011B, 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 30, 2011 (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 Undertaking, (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 Undertaking 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 Undertaking 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 (including any original issue discount properly allocable to an owner thereof) (a) is excludable from gross income for federal income tax purposes, (b) is exempt from income taxation by the State of Nebraska, and (c) is not an item of tax preference for purposes of 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 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 a "qualified tax-exempt obligation" 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 or the Site 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,