

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

**NEW ISSUE
BOOK-ENTRY**

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

*The Agency will elect to treat the Series 2010B Bonds as Build America Bonds – Direct Pay and the Series 2010C Bonds as Recovery Zone Economic Development Bonds under Sections 54AA and 1400U-2, respectively, of the Code and will elect to receive a direct payment from the federal government equal to a portion of the interest coming due on the Series 2010B Bonds and Series 2010C Bonds. The interest on the Bonds is **included** in gross income for federal income tax purposes. In the opinion of Gilmore & Bell, P.C., Bond Counsel, under existing law, the stated interest on the Bonds is exempt from income taxation by the State of Nebraska. See **"TAX MATTERS."***

OFFICIAL STATEMENT

LINCOLN, NEBRASKA WEST HAYMARKET JOINT PUBLIC AGENCY
(The City of Lincoln, Nebraska and The Board of Regents of the University of Nebraska)

\$67,965,000
GENERAL OBLIGATION
FACILITY BONDS
TAXABLE SERIES 2010B
(BUILD AMERICA BONDS – DIRECT PAY)

\$32,035,000
GENERAL OBLIGATION RECOVERY ZONE
ECONOMIC DEVELOPMENT BONDS
TAXABLE SERIES 2010C

Dated: date of delivery

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

The Series 2010B Bonds and the Series 2010C Bonds (each a **"Series"** and collectively, the **"Bonds"**) will be issued as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (**"DTC"**), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interests in Bonds purchased. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references to the Registered Owners shall mean Cede & Co., and shall not mean the Beneficial Owners (herein defined) of the Bonds. So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payments of principal or redemption price of and interest on the Bonds will be made directly to DTC. Disbursement of such payments to DTC Participants (herein defined) is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC Participants. See **"THE BONDS – Book-Entry System."** Semiannual interest will be payable on June 15 and December 15 of each year beginning on June 15, 2011, by **Union Bank and Trust Company**, as bond registrar and paying agent (the **"Registrar"**).

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

The West Haymarket Joint Public Agency (the **"Agency"**) will use the proceeds of the Bonds to pay the costs of (a) a sports/entertainment arena (the **"Arena"**), roads, streets, sidewalks, pedestrian overpass, public plaza space, sanitary sewer mains, water mains, electric transmission lines, drainage systems, flood control, parking garages and surface parking lots (collectively, the **"West Haymarket Facilities"**), acquiring land and relocating existing businesses, undertaking environmental remediation and site preparation as necessary and appropriate for the construction, equipping, furnishing and financing of the West Haymarket Facilities (collectively, the **"Projects,"** and, individually, a **"Project"**) pursuant to the Joint Public Agency Act (Chapter 13, Article 25, Reissue Revised Statutes of Nebraska, as amended, the **"JPA Act"**), and certain agreements described herein, (b) interest accruing and falling due on the Bonds through and including June 15, 2011, and (c) issuing the Bonds. See **"PLAN OF FINANCING."**

The Bonds are issued pursuant to the terms of a resolution duly passed by the governing body of the Agency on October 19, 2010 (the **"Resolution"**). The Bonds are general obligations of the Agency payable, unless paid from other sources, from taxes levied by valuation on all taxable property without limitation as to rate or amount in The City of Lincoln, Nebraska (the **"City"**), pursuant to the provisions of the JPA Act and the Joint Public Agency Agreement Creating the West Haymarket Joint Public Agency dated as of April 1, 2010 (as amended from time to time, the **"JPA Agreement"**) between the City and The Board of Regents of the University of Nebraska (the **"Regents"**). Pursuant to the Facilities Agreement dated September 8, 2010 (as amended from time to time, the **"Facilities Agreement"**) between the City and the Agency, (a) the City is obligated to collect all revenues, receipts and income received by the Agency from any source (the **"Revenues"**) and (b) in the event that 45 days prior to the payment date of any principal or interest on the Bonds, amounts in the Debt Service Fund are insufficient to fully pay the principal or interest on all outstanding Bonds, the City is obligated to loan to the Agency the full amount of any such deficiency not later than such date of payment. Any such loan, together with interest accrued thereon, shall be repaid to the City (a) first, from the first receipts of Revenues, and (b) second, from taxes levied and collected by the Agency pursuant to the provisions of the Facilities Agreement. If the projected actual Available Revenues (defined to be all cash receipts of the Agency, plus unrestricted amounts in the Surplus Fund, less all cash payments of the Agency, including, without limitation, debt service on the Bonds, operation and maintenance expenses and deposits to the Depreciation and Replacement Fund) for the fiscal year are less than the budgeted Available Revenues for such fiscal year by \$1,000,000 or more, the Agency is obligated to implement the Agency Bond Levy. See **"THE AGENCY," "SECURITY," "NEBRASKA LAWS RELATED TO BUDGETS AND TAXATION"** and **"APPENDIX C – SUMMARY OF PRINCIPAL DOCUMENTS – JPA Agreement"** and **"Facilities Agreement."**

MATURITY SCHEDULE – SEE INSIDE COVER

ROBERT W. BAIRD & CO., INC.
(Taxable Series 2010B)

WELLS FARGO BANK, NATIONAL ASSOCIATION
(Taxable Series 2010C)

AMERITAS INVESTMENT CORP.
has acted as Financial Advisor

The Bonds are offered in book entry form only when, as and if issued by the Agency and accepted by the Underwriters, subject to the approval of legality by Gilmore & Bell, P.C., Lincoln, Nebraska, Bond Counsel. Certain legal matters will be passed upon for the City and the Agency by Rodney M. Confer, City Attorney and general counsel to the JPA. It is expected that the Bonds in definitive form will be available for delivery through DTC on or about December 1, 2010.

The Date of this Official Statement is November 17, 2010.

MATURITY SCHEDULE

LINCOLN, NEBRASKA WEST HAYMARKET JOINT PUBLIC AGENCY
(The City of Lincoln, Nebraska and The Board of Regents of the University of Nebraska)

\$67,965,000
GENERAL OBLIGATION FACILITY BONDS
TAXABLE SERIES 2010B
(BUILD AMERICA BONDS – DIRECT PAY)

<u>Maturity</u> <u>(December 15)</u>	<u>Principal</u> <u>Amount</u>	<u>Rate of</u> <u>Interest</u>	<u>CUSIP</u> <u>Number</u> <u>(534366)</u>
2020	\$2,440,000	4.00%	AP4
2021	2,510,000	4.20	AQ2
2022	2,585,000	4.40	AR0
2023	2,665,000	4.60	AS8
2024	2,750,000	4.80	AT6
2025	2,835,000	5.00	AU3
2030*	15,730,000	5.40	AV1
2035*	18,780,000	5.80	AW9
2039*	17,670,000	6.00	AX7

*Term Bonds

Price: 100% All Bonds

\$32,035,000
GENERAL OBLIGATION RECOVERY ZONE
ECONOMIC DEVELOPMENT BONDS
TAXABLE SERIES 2010C

\$32,035,000 – 6.75 % Term Bonds due December 15, 2045, CUSIP No. 534366 AY5

Price: 100% All Bonds

LINCOLN, NEBRASKA WEST HAYMARKET JOINT PUBLIC AGENCY

Jayne Snyder (City Council)
Tim Clare (Regent)
Chris Beutler (Mayor)

Chair and Representative
Vice Chair and Representative
Representative

Dan Marvin
Don Herz
Rodney Confer

Secretary
Treasurer
General Counsel

THE CITY OF LINCOLN, NEBRASKA

Mayor

Chris Beutler

City Council

John Spatz (Chair)

Jon Camp
Jonathan Cook
Adam Hornung

Eugene Carroll
Doug Emery
Jayne Snyder

City Administration

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

Peggy Tharnish, City Controller

UNDERWRITERS

ROBERT W. BAIRD & CO., INC.
(Taxable Series 2010B)

**WELLS FARGO BANK,
NATIONAL ASSOCIATION**
(Taxable Series 2010C)

REGISTRAR AND PAYING AGENT

Union Bank and Trust Company

FINANCIAL ADVISOR

Ameritas Investment Corp.

BOND COUNSEL

Gilmore & Bell, P.C.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

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Bob Whitehouse, Vice Chair, Papillion, Nebraska
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Andrew Klutman, Student Regent, UNMC
Justin Solomon, Student Regent, UNL
Nate Summerfield, Student Regent, UNK

UNIVERSITY OF NEBRASKA OFFICERS

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John Christensen, Chancellor, UNO
Doug Kristensen, Chancellor, UNK
Harold M. Maurer, Chancellor, UNMC
Harvey S. Perlman, Chancellor, UNL

REGARDING USE OF THIS OFFICIAL STATEMENT

AUTHORIZED INFORMATION AND REPRESENTATIONS

No dealer, broker, sales representative or other person has been authorized by the Agency, the City, the Regents, Robert W. Baird & Co, Inc. (“**Baird**”) (with respect to the Series 2010B Bonds) or Wells Fargo Bank, National Association (“**Wells Fargo**”) (with respect to the Series 2010C Bonds) to give any information or to make any representations, other than those contained in this Official Statement; and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the Agency, the City, the Regents and other sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, either Baird or Wells Fargo. Baird has provided the following sentence for inclusion in this Official Statement: “Baird has reviewed the information in this Official Statement applicable to the Series 2010B Bonds in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but Baird does not guarantee the accuracy or completeness of such information.” Wells Fargo has provided the following sentence for inclusion in this Official Statement: “Wells Fargo has reviewed the information in this Official Statement applicable to the Series 2010C Bonds in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but Baird does not guarantee the accuracy or completeness of such information.” The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstance, create any implication that there has been no change in the affairs of the Agency, the City or the Regents since the date hereof.

REGISTRATION EXEMPTION

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

FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “anticipate,” “budget,” “intend” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. None of the Agency, the City, the Regents or any other party plans to issue any updates or revisions to those forward-looking statements if or when the expectations, or events, conditions or circumstances upon which such statements are based occur.

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BAIRD INTENDS TO OFFER THE SERIES 2010B BONDS AND WELLS FARGO INTENDS TO OFFER THE SERIES 2010C BONDS INITIALLY AT THE OFFERING PRICES SET FORTH ON THE INSIDE COVER PAGE OF THIS OFFICIAL STATEMENT, WHICH MAY SUBSEQUENTLY CHANGE WITHOUT ANY REQUIREMENT OF PRIOR NOTICE. IN CONNECTION WITH THIS OFFERING, (A) BAIRD MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2010B BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET, AND (B) WELLS FARGO MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2010C BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

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OFFICIAL STATEMENT

LINCOLN, NEBRASKA WEST HAYMARKET JOINT PUBLIC AGENCY
(The City of Lincoln, Nebraska and The Board of Regents of the University of Nebraska)

\$67,965,000
GENERAL OBLIGATION
FACILITY BONDS
TAXABLE SERIES 2010B
(BUILD AMERICA BONDS – DIRECT PAY)

\$32,035,000
GENERAL OBLIGATION RECOVERY ZONE
ECONOMIC DEVELOPMENT BONDS
TAXABLE SERIES 2010C

INTRODUCTION

This introduction is only a brief description and summary of certain information contained in this Official Statement and is qualified in its entirety by reference to more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. Definitions of capitalized terms not otherwise defined herein may be found in “APPENDIX C: SUMMARY OF PRINCIPAL DOCUMENTS – Definitions.”

Purpose of the Official Statement

The purpose of this Official Statement is to furnish information relating to (a) the West Haymarket Joint Public Agency (the “**Agency**”), (b) The City of Lincoln, Nebraska (the “**City**”), and (c) the Agency’s (1) \$67,965,000 principal amount General Obligation Facility Bonds, Taxable Series 2010B (Build America Bonds – Direct Pay), dated the date of delivery thereof (the “**Series 2010B Bonds**”) and (2) \$32,035,000 principal amount General Obligation Recovery Zone Economic Development Bonds, Taxable Series 2010C, dated the date of delivery thereof (the “**Series 2010C Bonds**”).

The Agency

The Agency was created pursuant to the Joint Public Agency Act (Chapter 13, Article 23, Reissue Revised Statutes of Nebraska, as amended, the “**JPA Act**”) and the Joint Public Agency Agreement Creating the West Haymarket Joint Public Agency dated as of April 1, 2010 (as amended from time to time, the “**JPA Agreement**”) between the City and The Board of Regents of the University of Nebraska (the “**Regents**”). The Agency was created (a) for purposes of constructing, equipping, furnishing and financing public facilities in the West Haymarket Redevelopment Area (herein defined) of the City including but not limited to a sports/entertainment arena (the “**Arena**”), roads, streets, sidewalks, pedestrian overpass, public plaza space, sanitary sewer mains, water mains, electric transmission lines, drainage systems, flood control, parking garages and surface parking lots (collectively, the “**West Haymarket Facilities**”), and (b) to acquire land and to relocate existing businesses, to undertake environmental remediation and site preparation as necessary and appropriate for the construction, equipping, furnishing and financing of the West Haymarket Facilities (collectively, as described in the Bond Resolution (hereinafter defined), as the same may be amended from time to time, the “**Projects**,” and, individually, a “**Project**”).

The Projects

The Projects consist of constructing, equipping, furnishing and financing various public facilities in the West Haymarket Redevelopment Area of the City including, but not limited to, the Arena, roads, streets, sidewalks, pedestrian overpass, public plaza space, sanitary sewer mains, water mains, electric transmission lines, drainage systems, flood control, parking garages and surface parking lots, and acquiring land and relocating existing businesses, undertaking environmental remediation and site preparation as necessary and appropriate for the construction, equipping, furnishing and financing of the West Haymarket Facilities. Upon acquisition of certain property currently

owned by the Burlington Northern Santa Fe (“**BNSF**”) and Union Pacific Railroads, the Agency will own the property on which the Projects will be constructed, equipped and furnished. The Arena Projects (consisting of the Arena and related parking improvements consisting of the surface parking lot northwest of the BNSF tracks, the parking garage adjacent to the Arena and the surface parking lot on the Arena site) will be owned by the Agency until the Bonds are no longer outstanding, at which time the Agency will transfer ownership of the Arena Projects to the City. The remaining Projects will be transferred to the City upon the completion of construction of such Projects. The City will operate and maintain all of the Projects pursuant to a Facilities Agreement dated September 8, 2010 (as amended from time to time, the “**Facilities Agreement**”) between the City and the Agency. See “**PLAN OF FINANCING**” and **APPENDIX C - SUMMARY OF PRINCIPAL DOCUMENTS – Facilities Agreement.**”

The City

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

The Regents

The Regents are a public body corporate duly created and existing under the laws of the State of Nebraska. Pursuant to a Memorandum of Understanding dated as of March 31, 2010 (the “**MOU**”) between the City and the Regents, the Regents have agreed to lease the Arena for a term of 30 years which is anticipated to begin on September 1, 2013 to play the University of Nebraska-Lincoln men’s and women’s varsity basketball home games. The terms of the MOU will be formalized through an Operating Agreement between the City and the Regents, which is expected to be executed and delivered by the parties by the end of 2010. Other than the payment of rent for its use of the Arena pursuant to the Operating Agreement, the Regents have no obligation to pay the principal or redemption price of and interest on the Bonds. The Regents’ outstanding bonds are rated “Aa1” by Moody’s Investors Service, Inc. and “AA” by Standard & Poor’s Ratings Group. See “**APPENDIX C - SUMMARY OF PRINCIPAL DOCUMENTS – Memorandum of Understanding.**”

The Bonds

The Series 2010B and the Series 2010C Bonds (each a “**Series**” and collectively, the “**Bonds**”) will be issued pursuant to a Bond Resolution passed October 19, 2010 (the “**Bond Resolution**”) by the Agency for the purpose of paying (a) all or a portion of the costs of one or more Projects, (b) the interest accruing and falling due on the Bonds through and including June 15, 2011, and (c) the costs of issuing the Bonds. See “**PLAN OF FINANCING**” and “**THE BONDS.**”

The Bonds are issued pursuant to certain provisions of the Internal Revenue Code of 1986, as amended (the “**Code**”), as further amended by the American Recovery and Reinvestment Act of 2009, Public Law 111-5 (the “**Recovery Act**”) and other applicable law. The Agency has elected to treat the Series 2010B Bonds as “Build America Bonds” under Code § 54AA(g)(2) and to treat the Series 2010C Bonds as “Recovery Zone Economic Development Bonds” under Code § 1400U-2. The Agency will elect to receive direct payments from the United States Department of the Treasury (the “**U.S. Treasury**”) equal to a portion of the interest payable on the Bonds. See “**SECURITY– The Recovery Act**” and “**TAX MATTERS.**”

Security and Source of Payment

The principal or redemption price of and interest on the Bonds are general obligations of the Agency payable, unless paid from other sources, from taxes levied by the Agency on all taxable property in the City without limitation as to rate or amount pursuant to the provisions of the JPA Act and the JPA Agreement. Pursuant to the JPA Act, under the

JPA Agreement, the City has allocated to the Agency its authority to cause a levy of taxes within the City pursuant to Section 15-202, Reissue Revised Statutes of Nebraska, as amended, in an amount which will be sufficient to pay the principal or redemption price of and interest on the Bonds when and as the same become due (the **“Agency Bond Levy”**). The Facilities Agreement requires that (a) the City collect all revenues, receipts and income received by the Agency from any source (the **“Revenues”**) and (b) in the event that 45 days prior to the payment date of any principal or interest on the Bonds, amounts in the Debt Service Fund are insufficient to fully pay the principal of or interest on all outstanding Bonds, the City shall loan to the Agency the full amount of any such deficiency not later than such date of payment. Such loan shall bear interest as provided in the Facilities Agreement from the date such amounts are loaned to the Agency until all such amounts are repaid by the Agency. Any such loan, together with interest accrued thereon, shall be repaid to the City (i) first, from the first receipts of Revenues, and (ii) second, from taxes levied and collected by the Agency pursuant to the provisions of the Facilities Agreement. If the projected actual Available Revenues (defined to be all cash receipts of the Agency, plus unrestricted amounts in the Surplus Fund, less all cash payments of the Agency, including, without limitation, debt service on Bonds, operation and maintenance expenses and deposits to the Depreciation and Replacement Fund) for the fiscal year are less than the budgeted Available Revenues for such fiscal year by \$1,000,000 or more, the Agency is obligated to implement the Agency Bond Levy. See **“THE AGENCY,” “SECURITY,” “NEBRASKA LAWS RELATED TO BUDGETS AND TAXATION,” “APPENDIX C – SUMMARY OF PRINCIPAL DOCUMENTS – JPA Agreement,” and “- Facilities Agreement,” “- Bond Resolution” and “APPENDIX D – PROJECTED CASH FLOWS.”**

Financial Statements

The Agency was created on April 2, 2010. The first audited financial statements for the Agency are being prepared for its first partial fiscal year ending August 31, 2010.

The audited financial statements of the City, as of and for the year ended August 31, 2009, are included in **“APPENDIX B – THE CITY OF LINCOLN, NEBRASKA - ACCOUNTANT’S REPORT AND AUDITED FINANCIAL STATEMENTS.”** These financial statements have been audited by BKD, LLP, independent auditors, to the extent and for the periods indicated in their report, which is also included in **“APPENDIX B – THE CITY OF LINCOLN, NEBRASKA - ACCOUNTANT’S REPORT AND AUDITED FINANCIAL STATEMENTS.”**

Ratings

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

THE AGENCY

The Agency was created on April 2, 2010 pursuant to the JPA Act and the JPA Agreement for the purpose of exercising any power, privilege or authority to facilitate land acquisition, relocation of existing businesses, environmental remediation, site preparation and the construction, equipping, furnishing and financing of public facilities, including, but not limited to, the Arena and the other West Haymarket Facilities and any other capital improvements or other projects pertaining to the redevelopment of an area in the City generally bounded by BNSF and Union Pacific railroad lines on the west, approximately North 7th Street on the east, the south interior roadway of Haymarket Park and Bereuter Pedestrian Bridge on the north and “M” Street on the south (the **“West Haymarket Redevelopment Area”**), as determined by the Agency to be necessary, desirable, advisable or in the best interests of the City and the Regents.

Under the JPA Agreement, the governing body of the Agency (the **“Board”**) consists of the Mayor of the City, the member of The Board of Regents of the University of Nebraska from District No. 1, and a member of the Council of the City appointed by the Mayor. All actions may be taken by the affirmative vote of a majority of the Board, except

that the actions of the Agency related to the Arena (as opposed to the West Haymarket Facilities as a whole) require a unanimous vote of the Board. Issuance of indebtedness of the Agency must also be approved by the Mayor and Council of the City.

The members of the Board are as follows: Chris Beutler (Mayor of the City), Tim Clare (Regent from District No. 1), and Jayne Snyder (member of the Council). The officers of the board are as follows:

<u>Name</u>	<u>Office</u>
Jayne Snyder	Chair
Tim Clare	Vice Chair
Dan Marvin	Secretary
Don Herz	Treasurer

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

THE CITY

The City is a city of the primary class and political subdivision created and existing under the laws of the State, including, without limitation, Chapter 15, Reissue Revised Statutes of Nebraska, as amended. The City encompasses approximately 90 square miles and includes most of the urban area of Lancaster County. Located in southeastern Nebraska approximately midway between Chicago and Denver, the City has an estimated population of over 251,000. See “**APPENDIX A – THE CITY OF LINCOLN, NEBRASKA – GENERAL, ECONOMIC AND FINANCIAL INFORMATION**” and “**APPENDIX B – THE CITY OF LINCOLN, NEBRASKA - ACCOUNTANT'S REPORT AND AUDITED FINANCIAL STATEMENTS.**”

PLAN OF FINANCING

Authorization and Purpose of Bonds

The Bonds are authorized pursuant to and in full compliance with the Constitution and statutes of the State including, particularly, the JPA Act. The Bonds are being issued pursuant to the Bond Resolution for the purpose of paying (a) all or a portion of the costs of one or more Projects, (b) the interest accruing and falling due on the Bonds through and including June 15, 2011, and (c) the costs of issuing the Bonds.

The Projects

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

Projects will be transferred to the City upon the completion of construction of such Projects. The City will operate and maintain all of the Projects pursuant to the Facilities Agreement.

The Agency has previously issued its General Obligation Facilities Bonds, Taxable Series 2010A (Build America Bonds – Direct Pay) dated September 15, 2010 (the “**Series 2010A Bonds**”) in the principal amount of \$100,000,000 to finance a portion of the Projects. The Agency will deposit approximately \$95,700,000 of the proceeds of the Bonds in the Construction Fund as provided in the Bond Resolution. The total estimated cost of the Projects is approximately \$340,000,000, which will be funded with the proceeds of the Series 2010B Bonds and the Series 2010C Bonds, together with the proceeds of the Series 2010A Bonds, additional debt of the Agency and available cash funds, including private contributions and other receipts of the Agency. The Agency currently estimates issuing bonds in a total amount not in excess of \$325,000,000 (including the Series 2010A Bonds and the Bonds described in this Official Statement) to finance the Projects. Construction began in October, 2010 and is estimated to be completed not later than September, 2013.

While the Agency recognizes that any project has risks related to cost overruns, the City has taken many steps to eliminate the likelihood and impact of any such overruns. Through the engagement of a nationally recognized program management firm, the Agency will have experts overseeing every step of the project design, planning and construction. The program management firm will (a) provide technical expertise for programming, budgeting, and criteria development of both the overall program and individual projects, (b) optimize and control schedule, budgets, quality, functionality, and efficiency of building design, construction and code compliance, (c) review expenditures and manage design and construction claims, (d) provide assistance in selection of architects and engineers, (e) manage construction to mitigate disruptions, delays, cost overruns, and change orders, (f) coordinate all capital expenditures to optimize cash flow, (g) prepare status reports and presentations, and (h) facilitate communication and data access between all project team members as well as a web site accessible by the public. In addition to retaining a program management firm, the Agency will construct the Arena using a “construction manager at risk” that will ensure certainty as to the total cost of the Arena itself. The City has also prioritized the construction of the infrastructure Projects such that any delay in such projects will not delay the opening of the Arena. Such measures will minimize any risk of cost overruns related to the Projects, as well as the risk of any delay in the timely opening of the Arena.

Sources and Uses of Funds

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

Series 2010B Bonds

Sources of Funds:

Proceeds from Sale of Bonds	<u>\$67,965,000.00</u>
Total sources of funds	<u>\$67,965,000.00</u>

Uses of Funds:

Project Costs	\$64,741,892.21
Capitalized Interest	1,998,718.32
Underwriting Discount (1.499%)	1,019,475.00
Costs of Issuance	<u>204,914.47</u>
Total uses of funds	<u>\$67,965,000.00</u>

Series 2010C Bonds

Sources of Funds:

Proceeds from Sale of Bonds	\$32,035,000.00
Total sources of funds	<u>\$32,035,000.00</u>

Uses of Funds:

Project Costs	\$30,294,198.24
Capitalized Interest	1,164,331.93
Underwriting Discount (1.499%)	479,884.30
Costs of Issuance	<u>96,585.53</u>
Total uses of funds	<u>\$32,035,000.00</u>

THE BONDS

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

Principal Maturities and Interest Rates

The Bonds will be dated the date of delivery thereof, numbered from R-1 upward in order of their issuance, mature on December 15 in the years and in the principal amounts set forth on the inside cover page of this Official Statement and bear interest calculated on the basis of a 360-day year consisting of twelve 30-day months at the rates per annum set forth on the cover page hereof. Interest is payable on June 15 and December 15 of each year, commencing June 15, 2011. The **“Record Date”** for each installment of interest shall be the fifteenth day (whether or not a business day) next preceding such interest payment date.

Form and Denomination

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

Place of Payment

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

Redemption

Optional Redemption. The Bonds are subject to redemption prior to maturity by written direction of the Agency, in whole or in part, on any Business Day, at a redemption price equal to the greater of:

- (1) 100% of the principal amount of the Bonds to be redeemed; or

(2) The sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Bonds are to be redeemed, discounted to the date on which the Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the “Treasury Rate” (as defined herein) plus 30 basis points;

plus, in each case, accrued and unpaid interest on the Bonds to be redeemed to the redemption date.

The “**Treasury Rate**” is, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H. 15 (519) that has become publicly available at least five Business Days prior to the redemption date (excluding inflation indexed securities) (or, if such statistical release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Bonds to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

The redemption price of any Bonds to be redeemed pursuant to the optional redemption provision described above will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the Agency at the Agency’s expense to calculate such redemption price. The Registrar and the Agency may conclusively rely on the determination of such redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance. If the Bonds are not registered in book-entry form and if fewer than all of such Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity and bearing such interest rate to be redeemed will be selected on a pro rata basis, provided that any such redemption must be performed such that all Bonds remaining outstanding will be in authorized denominations. If the Bonds are registered in book-entry form and if fewer than all of such Bonds of the same maturity and bearing the same interest rate are to be redeemed, the redemption of such Bonds will be performed, to the extent then permitted by the applicable rules and procedures of the then acting securities depository, in accordance with the preceding sentence. To the extent any such pro rata partial redemption is not then permitted by the applicable rules and procedures of the then acting securities depository, such Bonds will be redeemed by lot or other customary method in accordance with such rules and procedures. Currently, the applicable rules and procedures of DTC, the initial securities depository for the Bonds, provide that such partial redemptions be performed by lot. See “**APPENDIX D -BOOK-ENTRY SYSTEM.**”

Extraordinary Optional Redemption. Each Series of Bonds is subject to redemption prior to their maturity at the option of the Agency, in whole or in part, upon the occurrence of an “Extraordinary Event” (as defined herein), at a redemption price equal to the greater of:

(1) 100% of the principal amount of the Bonds to be redeemed; or

(2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Bonds are to be redeemed, discounted to the date on which the Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus 100 basis points;

plus, in each case, accrued and unpaid interest on the Bonds to be redeemed to the redemption date.

An “**Extraordinary Event**” will have occurred (a) with respect to the Series 2010B Bonds if a material adverse change has occurred to Section 54AA or 6431 of the Internal Revenue Code of 1986, as amended (as such Sections

were added by Section 1531 of the Recovery Act, pertaining to “Build America Bonds”) pursuant to which the Agency’s 35% cash subsidy payment from the United States Treasury is reduced or eliminated and (b) with respect to the Series 2010C Bonds if a material adverse change has occurred to Section 54AA, 1400U-2 or 6431 of the Internal Revenue Code of 1986, as amended (as such Sections were added by Sections 1401 and 1531 of the Recovery Act, pertaining to “Recovery Zone Economic Development Bonds”) pursuant to which the Agency’s 45% cash subsidy payment from the United States Treasury is reduced or eliminated.

The redemption price of any Bonds to be redeemed pursuant to the extraordinary optional redemption provision described above will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the Agency at the Agency’s expense to calculate such redemption price. The Registrar and the Agency may conclusively rely on the determination of such redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance. If a Series of Bonds is not registered in book-entry form and if fewer than all of such Bonds of the same Series and maturity and bearing the same interest rate are to be redeemed, the particular Bonds of such Series and maturity and bearing such interest rate to be redeemed will be selected on a pro rata basis, provided that any such redemption must be performed such that all Bonds of such Series remaining outstanding will be in authorized denominations. If a Series of Bonds is registered in book-entry form and if fewer than all of such Series of Bonds of the same maturity and bearing the same interest rate are to be redeemed, the redemption of such Series of Bonds will be performed, to the extent then permitted by the applicable rules and procedures of the then acting securities depository, in accordance with the preceding sentence. To the extent any such pro rata partial redemption is not then permitted by the applicable rules and procedures of the then acting securities depository, such Bonds of such Series will be redeemed by lot or other customary method in accordance with such rules and procedures. Currently, the applicable rules and procedures of DTC, the initial securities depository for the Bonds, provide that such partial redemptions be performed by lot. See “**APPENDIX F -BOOK-ENTRY SYSTEM.**”

Sinking Fund Redemption of Bonds. The Bonds maturing December 15 in the years 2030, 2035, 2039 and 2045 are subject to mandatory redemption and payment prior to maturity pursuant to the mandatory redemption requirements set forth below at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date. The payments specified in the Bond Resolution which are to be deposited into the Debt Service Fund shall be sufficient to redeem, and the Agency shall redeem on each December 15 the following principal amounts of Bonds:

<u>Year</u> <u>(December 15)</u>	<u>Principal</u> <u>Amount</u>	<u>Year</u> <u>(December 15)</u>	<u>Principal</u> <u>Amount</u>
2026	\$2,930,000	2031	\$3,490,000
2027	3,035,000	2032	3,620,000
2028	3,140,000	2033	3,750,000
2029	3,255,000	2034	3,890,000
2030	3,370,000‡	2035	4,030,000‡
<u>Year</u> <u>(December 15)</u>	<u>Principal</u> <u>Amount</u>	<u>Year</u> <u>(December 15)</u>	<u>Principal</u> <u>Amount</u>
2036	\$4,180,000	2040	4,865,000
2037	4,340,000	2041	5,030,000
2038	4,500,000	2042	5,225,000
2039	4,650,000‡	2043	5,425,000
		2044	5,635,000
		2045	5,855,000‡

‡ Maturity

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

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

Book-Entry System

General. The Bonds will be made available initially in book-entry form only in denominations of \$5,000 each or integral multiples thereof. The Depository Trust Company (“**DTC**”), New York, New York, will act as securities depository for the Bonds. The ownership of one fully registered Bond for each maturity, as set forth on the cover of this Official Statement, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as the nominee for DTC. Ownership interests in the Bonds will be available to purchasers only through the book-entry system maintained by DTC (the “**Book-Entry System**”). A description of DTC, the Book-Entry System and definitions of initially capitalized terms used under this heading are found in “**APPENDIX F – BOOK-ENTRY SYSTEM.**”

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

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

CUSIP Numbers

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

SECURITY

General

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

JPA Agreement

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

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

Facilities Agreement

The Facilities Agreement provides that in the event that 45 days prior to the payment date of any principal or interest on the Bonds, amounts in the Debt Service Fund are insufficient to fully pay the principal of or interest on all outstanding Bonds, the City shall loan to the Agency the full amount of any such deficiency not later than such date of payment. Such loan shall bear interest at a rate equal to the current interest rate received by the City Investment Pool (computed on the basis of a 360-day year consisting of twelve 30-day months) from the date such amounts are loaned to the Agency until all such amounts are repaid by the Agency. Any such loan, together with interest accrued thereon, shall be repaid to the City (a) first, from the first receipts of Revenues, and (b) second, from taxes levied and collected by the Agency pursuant to the provisions of the Facilities Agreement. If the projected actual Available Revenues (defined to be all cash receipts of the Agency, plus unrestricted amounts in the Surplus Fund, less all cash payments of the Agency, including, without limitation, debt service on Bonds, operation and maintenance expenses and deposits to the Depreciation and Replacement Fund) for the fiscal year are less than the budgeted Available Revenues for such fiscal year by \$1,000,000 or more, the Agency is obligated to implement the Agency Bond Levy. See “**THE AGENCY,**” “**SECURITY,**” “**NEBRASKA LAWS RELATED TO BUDGETS AND TAXATION,**” “**APPENDIX C - SUMMARY OF PRINCIPAL DOCUMENTS - JPA Agreement**” and “**- Bond Resolution,**” and “**APPENDIX D – PROJECTED CASH FLOWS.**”

Operating Agreement

Pursuant to the MOU, the Regents have agreed to lease the Arena to play the University of Nebraska-Lincoln men’s and women’s varsity basketball home games for a term of 30 years which is anticipated to begin on September 1, 2013. The terms of the MOU will be formalized through an Operating Agreement between the City and the Regents, which is expected to be executed and delivered by the parties by the end of 2010. Other than the payment of rent for its use of the Arena pursuant to the Operating Agreement, the Regents have no obligation for any payments to the Agency, including, without limitation, payment of the principal or redemption price of and interest on the Bonds. See “**APPENDIX C - SUMMARY OF PRINCIPAL DOCUMENTS.**”

The Recovery Act

Sections 54AA and 6431 of the Code, as added by the Recovery Act, authorize the Agency to issue taxable bonds known as “Build America Bonds” to finance capital expenditures for which it could otherwise issue tax-exempt bonds and to elect to receive subsidy payments from the U.S. Treasury equal to 35% of the amount of interest payable on

those bonds (the **“BAB Subsidy Payments”**). The Series 2010B Bonds are being issued as qualified Build America Bonds under the Code. The BAB Subsidy Payments will be paid to the Agency; no holders of Series 2010B Bonds will be entitled to any subsidy payment or tax credit. The receipt of the BAB Subsidy Payments by the Agency is subject to certain requirements, including the filing of a form with the Internal Revenue Service prior to each Interest Payment Date, and compliance with federal tax law regarding the investment and use of the Bond proceeds and use of the facilities financed with those proceeds. In addition, the BAB Subsidy Payments are not full faith and credit obligations of the United States and are subject to offset due to any amounts owed by the Agency to the U.S. Treasury. The Agency is obligated to make all payments of principal or redemption price of and interest on the Series 2010B Bonds whether or not it receives BAB Subsidy Payments, but the Agency anticipates using any BAB Subsidy Payments to pay such principal and interest.

Sections 54AA, 1400U-2 and 6431 of the Code, as added by the Recovery Act, authorize the Agency to issue taxable bonds known as **“Recovery Zone Economic Development Bonds”** to finance one or more **“qualified economic development purposes”** (within the meaning of Section 1400U-2 of the Code) for which it could otherwise issue tax-exempt bonds and to elect to receive subsidy payments from the U.S. Treasury equal to 45% of the amount of interest payable on those bonds (the **“RZEDB Subsidy Payments”**). The Series 2010C Bonds are being issued as qualified Recovery Zone Economic Development Bonds under the Code. The RZEDB Subsidy Payments will be paid to the Agency; no holders of Series 2010C Bonds will be entitled to any subsidy payment or tax credit. The receipt of the RZEDB Subsidy Payments by the Agency is subject to certain requirements, including the filing of a form with the Internal Revenue Service prior to each Interest Payment Date, and compliance with federal tax law regarding the investment and use of the Bond proceeds and use of the facilities financed with those proceeds. In addition, the RZEDB Subsidy Payments are not full faith and credit obligations of the United States and are subject to offset due to any amounts owed by the Agency to the U.S. Treasury. The Agency is obligated to make all payments of principal or redemption price of and interest on the Series 2010C Bonds whether or not it receives RZEDB Subsidy Payments, but the Agency anticipates using any RZEDB Subsidy Payments to pay such principal and interest.

NEBRASKA LAWS RELATED TO BUDGETS AND TAXATION

The Nebraska Legislature (the **“Legislature”**) has in recent years enacted and amended legislation intended to reduce the level of property taxation and political subdivision expenditures in the State of Nebraska (the **“State”**). The statutory sections having the most significant impact on the Agency are Section 13-519, Reissue Revised Statutes of Nebraska (as enacted in 1996 and amended from time to time, **“Section 13-519”**), which provides for an overall limitation on general fund budget expenditures for cities, counties and certain other political subdivisions, and Section 77-3442, Reissue Revised Statutes of Nebraska (as enacted in 1996 and amended from time to time, **“Section 77-3442”**) which reduces the rate of taxation for general property taxes authorized for cities and counties. Among other provisions, Section 13-519 provides that for all fiscal years beginning on or after July 1, 1998, no governmental unit (including the City) may adopt a budget containing a total of budgeted restricted funds more than the prior year’s total of budgeted restricted funds plus allowable growth, plus a basic allowable growth percentage (initially 2½% until adjusted by the Legislature). Restricted funds generally include (a) property taxes, excluding any amounts refunded to taxpayers, (b) payments in lieu of property taxes, (c) local option sales taxes, (d) motor vehicle taxes, (e) state aid, (f) transfers of surpluses from any user fee, permit fee, or regulatory fee if the fee surplus is transferred to fund a service or function not directly related to the fee and the costs of the activity funded from the fee, (g) any funds excluded from restricted funds for the prior year because they were budgeted for capital improvements but which were not spent and are not expected to be spent for capital improvements, (h) county license or occupation taxes on admissions, if approved by an election, beginning in the second fiscal year in which the county will receive a full year of receipts, and (i) any excess tax collections returned to the county as a result of overpayment due to clerical error or mistake. Allowable growth includes the percentage increase in taxable valuation in excess of the base limitation established under Section 77-3446, Reissue Revised Statutes of Nebraska, as amended, if any, due to improvements to real property as a result of new construction, additions to existing buildings, any improvements to real property that increase the value of such property and any increase in valuation due to annexation and any personal property

valuation over the prior year. Such budget limitations may be exceeded by up to an additional 1% upon the affirmative vote of at least 75% of the governing body, and larger increases are permitted with the approval of a majority of legal voters voting on the issue of such increase at a special election held for such purposes.

Under Section 77-3442, the rates for levying property taxes are limited for each type of governmental unit in the State. The rate for cities such as the City is no more than 50¢ per \$100 of taxable valuation, except that 5¢ per \$100 of taxable valuation of property subject to the levy may only be levied to provide financing for a city or a county's share of revenue required under an agreement executed pursuant to the Interlocal Cooperation Act, Chapter 13, Article 8, Reissue Revised Statutes of Nebraska, as amended, or the Joint Public Agency Act, Chapter 13, Article 25, Reissue Revised Statutes of Nebraska, as amended. A county may allocate up to 15¢ of its authority to levy taxes to political subdivisions not specifically excluded under Section 77-3443(1), Reissue Revised Statutes of Nebraska. A political subdivision may exceed the levy limitations provided in Section 77-3442 or a final levy allocation determination as provided in Section 77-3443, Reissue Revised Statutes of Nebraska, as amended, by an amount not to exceed a maximum levy approved by a majority of registered voters. ***The limitations of Section 13-519 do not apply to restricted funds pledged to retire bonded indebtedness, and the limitations of Section 77-3442 do not apply to property taxes levied for bonded indebtedness approved according to law and secured by a levy on property.*** The Agency will not be required to make any levy in 2010 for collection in 2011 and is not authorized to make any levy for operating expenses in the future.

Ad valorem taxes levied to pay debt service on the Bonds are not subject to either the Budget Limitations or the Levy Limitations.

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

LEGAL MATTERS

Legal Proceedings

As of the date hereof, there is no controversy, suit or other proceeding of any kind pending or threatened raising, or which may raise, any question or dispute or affecting in any way the legal organization of the Agency, the City or the Regents or the right or title of any officer to his or her respective offices, or the legality of any official act in connection with the authorization, issuance and sale of the Bonds, or the constitutionality or validity of the Bonds or any of the proceedings had in relation to the authorization, issuance or sale thereof, or the levy and collection of a tax to pay the principal and interest thereof, or which might affect the Agency's ability to meet its obligations to pay the Bonds.

Approval of Legality

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

TAX MATTERS

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

Federal Income Tax Consequences to Owners of the Bonds

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, OWNERS OF THE BONDS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS OFFICIAL STATEMENT RELATING TO THE BONDS IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY OWNERS OF THE BONDS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THOSE OWNERS UNDER THE INTERNAL REVENUE CODE; (B) THE DISCUSSION OF FEDERAL TAX ISSUES IN THIS OFFICIAL STATEMENT RELATING TO THE BONDS WAS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THOSE BONDS; AND (C) OWNERS OF THE TAXABLE BONDS SHOULD SEEK ADVICE FROM AN INDEPENDENT TAX ADVISOR BASED ON THEIR PARTICULAR CIRCUMSTANCES.

Opinion of Bond Counsel Regarding the Bonds

Nebraska Tax Exemption. In the opinion of Bond Counsel, the stated interest on the Bonds is exempt from income taxation by the State of Nebraska. The proposed form of the opinion of Bond Counsel is included in “**APPENDIX E – FORM OF OPINION OF BOND COUNSEL.**”

Federal Tax Status of Series 2010B Bonds as Build America Bonds; Interest Taxable

Election. The Agency will elect to treat the Series 2010B Bonds as qualified “build America bonds” under Section 54AA of the Code and will elect to receive a direct payment from the U.S. Treasury equal to 35% of each interest payment on the Series 2010B Bonds (“Build America Bonds - Direct Payment”).

Bond Interest Taxable. The interest on the Series 2010B Bonds (including any original issue discount properly allocable to an owner thereof) will be included in gross income for Federal income tax purposes in accordance with the owner’s normal method of accounting.

No Opinion. Bond Counsel is not rendering any opinion to owners of the Series 2010B Bonds regarding the qualification of the Bonds as Build America Bonds – Direct Payment or the treatment of interest on the Series 2010B Bonds for federal income taxation. Purchasers of Series 2010B Bonds should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the Bonds, including the possible application of state, local, foreign and other tax laws.

Federal Tax Status of Series 2010C Bonds as Recovery Zone Economic Development Bonds; Interest Taxable

Election. The Agency will elect to treat the Series 2010C Bonds as “recovery zone economic development bonds” under Sections 54AA and 1400U-2 of the Code and will elect to receive a direct payment from the U.S. Treasury equal to 45% of each interest payment on the Series 2010C Bonds (“Recovery Zone Economic Development Bonds”).

Bond Interest Taxable. The interest on the Series 2010B Bonds will be included in gross income for Federal income tax purposes in accordance with the owner’s normal method of accounting.

No Opinion. Bond Counsel is not rendering any opinion to owners of the Series 2010C Bonds regarding the qualification of the Bonds as Recovery Zone Economic Development Bonds or the treatment of interest on the Series 2010C Bonds for federal income taxation. Purchasers of Series 2010C Bonds should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the Bonds, including the possible application of state, local, foreign and other tax laws.

Other Federal Income Tax Consequences Applicable to Owners of Bonds

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

Information Reporting and Backup Withholding. In general, information reporting requirements will apply to certain payments of principal, interest and premium paid on the Bonds, and to the proceeds paid on the sale of Bonds, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to these 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.

CONTINUING DISCLOSURE

The Agency and the City are executing the Continuing Disclosure Undertaking for the benefit of the owners and Beneficial Owners of the Bonds and in order to assist the Underwriters in complying with Rule 15c2-12 of the Securities and Exchange Commission (the “**Rule**”). The Agency and the City (each, an “**Obligated Person**”) are the only “obligated persons” within the meaning of the Rule with responsibility for continuing disclosure.

Annual Reports

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

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

the Bonds, and the audited financial statements shall be filed in the same manner as the Annual Report promptly after they become available.

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

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

Material Event Notices

Pursuant to the Continuing Disclosure Undertaking, not later than 10 business days after the occurrence of any of the following events, each Obligated Person shall also give, or cause a dissemination agent to give, notice of the occurrence of any of the following events with respect to the Bonds (“**Material Events**”):

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions; the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) modifications to rights of bondowners, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Obligated Person;
- (13) the consummation of a merger, consolidation, or acquisition involving the Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, 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 a dissemination agent has been instructed by the Agency or the City to report the occurrence of a Material Event, the dissemination agent shall promptly file a notice of such occurrence with the MSRB, with a copy to the Agency and the City.

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

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

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

Electronic Municipal Market Access System (EMMA)

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

MISCELLANEOUS

Ratings

Moody's Investors Service, Inc. has assigned the Bonds a rating of "Aa1" and Standard & Poor's, a division of The McGraw-Hill Companies, has assigned the Bonds the rating of "AAA." Such ratings reflect only the views of such organizations, and an explanation of the significance of such ratings may be obtained from Moody's Investors Service, 7 World Trade Center, 350 Greenwich Street, 23rd Floor, New York, New York 10007, telephone (212) 553-0300, and Standard & Poor's Ratings Services, 55 Water Street, New York, New York, 10041, telephone (212) 438-2124.

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

Independent Auditors

The Agency was created on April 2, 2010. The first audited financial statements for the Agency are being prepared following the end of its first partial fiscal year on August 31, 2010.

The financial statements of the City, as of and for the year ended August 31, 2009, included in “**APPENDIX B – THE CITY OF LINCOLN, NEBRASKA - ACCOUNTANT’S REPORT AND AUDITED FINANCIAL STATEMENTS**” of this Official Statement have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein.

Certification and Other Matters Regarding Official Statement

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

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

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

* * * * *

APPENDIX A

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

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

¹ City of Lincoln, Building and Safety Department.

² 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 ¹ LAST TEN FISCAL YEARS

Fiscal Year	General Government	Public Safety	Streets And Highways	Culture And Recreation	Economic Opportunity	Health And Welfare	Mass ² 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

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

² StarTran added as a Governmental Fund in 2002.

GENERAL REVENUES BY SOURCE ¹ LAST TEN FISCAL YEARS

Fiscal Year	Taxes And Special Assessment	Inter-Governmental	Permits And Fees	Reimbursement For Services	Investment Earnings	Other	Totals
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 ²	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

¹ Includes General, Special Revenue and Debt Service Funds.

² StarTran added as a Governmental Fund in 2002.

**SPECIAL ASSESSMENT COLLECTIONS
LAST TEN YEARS ¹**

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

¹ 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 ¹**

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

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

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

	Tax Year									
	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>

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

DEBT MANAGEMENT

OUTSTANDING INDEBTEDNESS AS OF AUGUST 31, 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
Governmental Activities:							
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>
Business-Type Activities:							
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 ¹</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 ³	Total Debt Service	Total General Governmental Expenditures ^{1,2}	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

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

² StarTran added as a Governmental Fund in 2002.

³ Does not include fiscal and miscellaneous charges.

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

Fiscal Year	General Obligation Bonded Debt	Sinking Funds	Net General Obligation Bonded Debt	Population ¹	Net G.O. Bonded Debt Per Capita	Assessed Valuation Real And Personal ²	Ratio Of Net Debt To Assessed Valuation Real & Personal	Assessed Valuation Of Taxable ² 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

¹ Source: Lincoln/Lancaster Planning Department.

² 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> ^{1,2}								
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>

APPENDIX B

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

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

**OF THE
CITY OF LINCOLN, NEBRASKA**

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009

Prepared by:

The Accounting Division of the Finance Department

INTRODUCTORY SECTION

OFFICIALS OF THE CITY OF LINCOLN

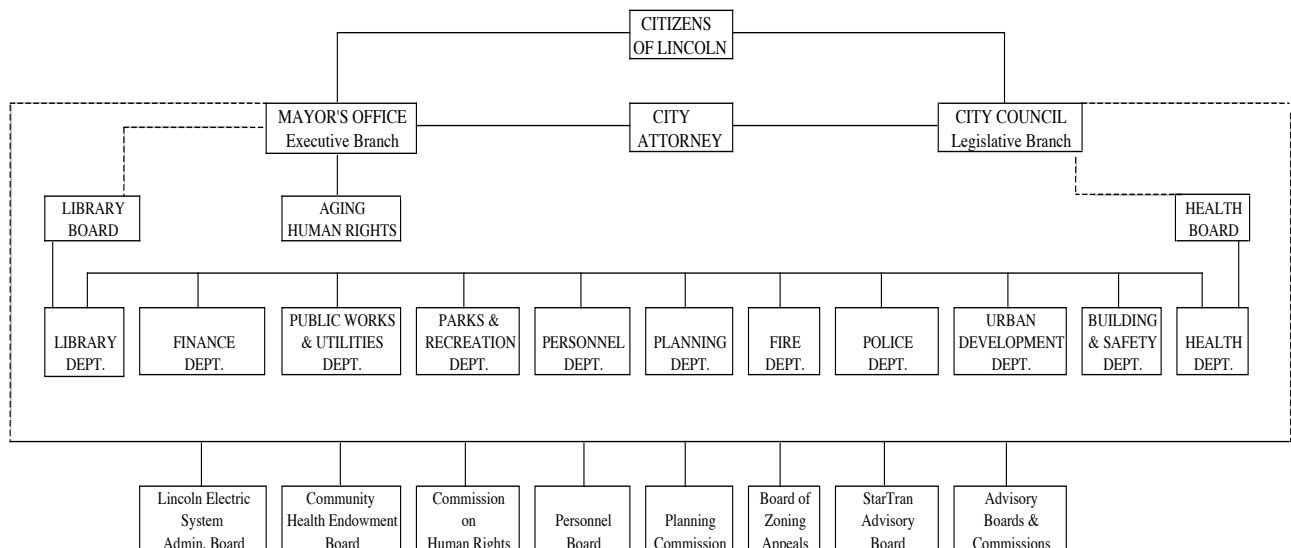
Chris Beutler.....	Mayor
Doug Emery	Chair, City Council
John Spatz	Vice Chair, City Council
Jon Camp.....	Council Member
Eugene Carroll.....	Council Member
Jonathan Cook.....	Council Member
Adam Hornung.....	Council Member
Jayne Snyder.....	Council Member

* * * * *

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

* * * * *

CITY OF LINCOLN ORGANIZATION CHART



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

MAYOR CHRIS BEUTLER

lincoln.ne.gov

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

February 24, 2010

Dear Citizens and Public Officials:

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

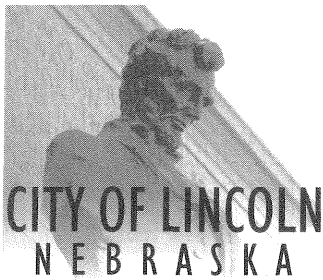
Ensuring both fiscal and operational accountability in our use of public resources is a priority for my Administration, and this report is essential to that effort. This report provides a complete and accurate picture of the City's financial status and fulfills our continuing disclosure responsibilities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

Our ability to manage the City's fiscal affairs and provide a full disclosure of the City's fiscal condition is exhibited by the unqualified audit opinion that follows. I am proud to report that the 2008 report submitted to the Government Finance Officers Association was recognized with the prestigious Certificate of Achievement for Excellence in Financial Reporting for the 26th consecutive year. This recognition is a credit to the City and a compliment to our dedicated Finance Department.

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

Sincerely,

Chris Beutler
Mayor of Lincoln



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

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



MAYOR CHRIS BEUTLER

lincoln.ne.gov

February 24, 2010

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

Both the City Charter and State law require an annual audit of the City's funds and accounts be made by a recognized independent and qualified accountant covering all financial transactions, affairs, and financial condition of the City, with the audit report published within six months after the close of the fiscal year. Pursuant to this requirement, the Comprehensive Annual Financial Report (CAFR) of the City of Lincoln, Nebraska for the fiscal year ended August 31, 2009, is hereby submitted.

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

As a recipient of federal, state and local financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. The federal government, under the revised OMB Circular A-133, requires local governments that expend \$500,000 or more in federal funds in any fiscal year to have a financial and compliance audit performed. As part of the City's Single Audit, tests were made of the City's internal control structure over compliance and its compliance with applicable laws and regulations, including those related to major federal financial assistance programs. The Single Audit for the year ended August 31, 2009, disclosed no material internal control weaknesses. The independent accountants' reports are included in the Single Audit section found at the end of the CAFR.

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

A firm of licensed certified public accountants has audited the City's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City are free of material misstatement. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent accountants concluded, based upon the audit, that there was a reasonable basis for rendering unqualified opinions that the City's financial statements for the fiscal year ended August 31, 2009, are fairly presented in conformity with GAAP.

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

Profile of the City

The City of Lincoln, capital city of Nebraska, was originally incorporated on April 7, 1869. Lincoln is located in the southeastern corner of the state, is midway between Chicago and Denver, and is currently one of the fastest growing metro areas in the Midwest. It occupies a land area of approximately 90 square miles, serves a population of over 251,000, and in its growth and development has annexed five other municipalities so that the City includes most of the urban area of Lancaster County. It enjoys a unique position in Nebraska as the center of the state's governmental and educational activities.

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

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

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

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

Economic Condition And Outlook

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

The Lincoln metropolitan area population base (Lancaster County) continues to demonstrate a pattern of sustained growth. According to the U. S. Census figures, the Lincoln metropolitan area population grew by 79.51 percent since 1960. Lancaster County's rate of growth between 2000 and 2008 has been 10.88 percent

or approximately 1.3 percent per year. The 2008 population of Lancaster County has been estimated to be in excess of 278,000 persons.

While such a growth rate may be modest by some standards, this healthy pace of expansion places Lincoln as one of the fastest growing communities in this region. Recent projections envision Lincoln to continue to grow at a rate of over 1% per year. As importantly, the City of Lincoln continues to absorb about 90% of all growth in Lancaster County.

Lincoln's unemployment rate at August 31, 2009 was 4.3%, well below the national average of 9.7%, with employment strongest in the categories of government, educational & health services, and retail trade. Lincoln's current number of construction permits is down 39% when compared to levels 5 years ago, with a corresponding decrease in the value of construction permits of over \$276 million.

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

Net sales and use tax revenue decreased \$1,014,536 or 1.8% from the previous fiscal year. This primary revenue source has been impacted by negative economic factors that have affected the local and national economies.

Long-Term Planning And Major Initiatives

Urban Development

The City anticipates approximately \$19.5 million of public expenditures funded through various urban development projects and programs over the next three years. These projects are varied in type and size and are located in the Downtown and Haymarket areas, North 27th Street area, Havelock and University Place business areas, Focus Area neighborhoods, the South Capitol blight area, the Antelope Valley project area, West O, North 56th and Arbor Road, and in low-moderate income neighborhoods throughout the City.

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

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

Ongoing and anticipated projects include:

- Downtown Redevelopment Projects:
 - 1) Catalyst One site.
 - 2) Former Douglas III/Civic Plaza site.
 - 3) West Haymarket Arena/Hotel project.
 - 4) North Haymarket Arts and Humanities Block.
 - 5) Block 85.
- North 27th Street redevelopment efforts are focusing on the acquisition of blighted properties and assembly for redevelopment.
- Antelope Valley Redevelopment Projects:
 - 1) Plaza Parkway Triangle, phase 1 – Assurity project site.
 - 2) 19th & K - WJS project site.
 - 3) 10th & Military – Creekside Village
 - 4) 23rd & P – Antelope Creek Village

- Havelock Redevelopment on-going projects include streetscape improvements, commercial building facade improvements and public parking lot improvements.
- University Place redevelopment of the former Green's Plumbing site.
- West O Street redevelopment projects.
- North 56th and Arbor Road redevelopment.
- NW Corridor redevelopment (West Cornhusker Highway).
- Innovation Campus redevelopment.
- 84th and Havelock redevelopment.
- South Capital redevelopment.
- Focus area projects yet to be determined in Malone and South Capitol
- Housing rehabilitation programs for quality, affordable housing and home ownership:
 - 1) Continuation of First-time Homebuyer and Owner-Occupied Housing Rehabilitation Loan programs.
 - 2) Partner with NeighborWorks-Lincoln for their Home Ownership Zone in Antelope Valley.
 - 3) Partner with other non-profit and for-profit housing organizations for affordable housing projects in low-to-moderate income neighborhoods under the Mayor's Stronger Safer Neighborhoods Program.
 - 4) Manage the local affordable housing effort made possible by Federal Economic Stimulus Programs.
- Real Estate Division major acquisition and negotiation projects.
 - 1) For effective transportation:

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

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

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

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

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

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

West Haymarket Project

The West Haymarket Redevelopment Project encompasses an area of approximately 150 acres on the western edge of Downtown Lincoln. The project involves the relocation and elimination of existing railroad tracks and completion of other site preparation activities. The project's program statement generally calls for the construction of a 16,000 seat civic arena, a community ice center, private retail and office space, a new Amtrak Station, residential units, surface and decked parking, public gathering areas, street and utility improvement, landscaping, trails and walkways, pedestrian bridges, and environmental enhancements. The overall project cost is projected to be in the range of \$350 – \$450 million with funding coming from both private and public sources. Private funding will be in the form of developer capital and community donations. Public revenues will likely be drawn from a wide variety of sources including tax increment financing; State Turn Back Tax revenues; arena generated funds; lodging fees; various occupation taxes; and other miscellaneous fees and sources.

Antelope Valley Project

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

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

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

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

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

Wastewater System

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

Water System

The Lincoln Water System is projecting a capital improvements program in the amount of approximately \$93,330,000 over the 6-year period of fiscal year 2009-10 through 2014-15. Of these dollars, approximately \$74,250,000 will be financed through revenue bonds, approximately \$3,830,000 will be financed from TIF funding, approximately \$4,030,000 will be financed through impact fees, with the balance of \$11,220,000 coming from utility revenue fees. The major projects contributing to these total dollars include the installation of transmission lines, replacement mains, replacement and new wells, and additional storage reservoirs.

Streets And Highways

The 2010-2015 Streets and Highways capital improvements program and Transportation improvement program identify average annual expenditures of over \$28.1 million for the next six years. Funding for these projects includes \$111 million in City revenues, \$27 million in federal aid, and \$30 million in other funds.

Infrastructure Impact Fees

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

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

Property Tax Collections

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

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

Parking Facilities

The City of Lincoln operates the following parking garages:

<u>Facility</u>	<u>Number of Stalls</u>	<u>Date Opened</u>
Center Park	1,048	November, 1978
Cornhusker Square	405	December, 1983
University Square	436	April, 1990
Que Place	773	October, 1994
Carriage Park	710	February, 1995
Market Place	433	August, 2000
Haymarket	420	August, 2002

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

Revenue generated by the parking facilities and on-street parking meters, as well as unappropriated street construction funds, are pledged for debt service of both the 2001 Parking Revenue Bonds and the 1999 Parking Revenue and Refunding Bonds. Comparative data for the past two fiscal years are presented in the following table:

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

Solid Waste Management

The City of Lincoln owns and operates a municipal solid waste landfill and a construction and demolition debris landfill that are subject to the U.S. Environmental Protection Agency rule *Solid Waste Disposal Facility Criteria*, which establishes closure and postclosure care requirements. As of August 31, 2009, the City estimates that it will incur costs approximating \$16 million to adhere to such requirements (see Note 18 of Notes to the Financial Statements).

Water And Wastewater System

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

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

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

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

Lincoln Electric System (LES)

The City owns and operates its own electric utility system that is managed by an administrative board. Actions of the board with regard to rates, budgets, and long-term financing are subject to final review and approval by the City Council. In accordance with Section 4.24.090 of the Lincoln Municipal Code, LES operates on a January 1 - December 31, fiscal year. Audited financial information as of and for LES' fiscal year ended December 31, 2008, is included in the City's August 31, 2009, financial statements.

Certificate Of Achievement

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

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

Acknowledgments

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

Respectfully submitted,

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

Don Herz
Finance Director



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lincoln
Nebraska

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
August 31, 2008

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



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 as of and for the year ended August 31, 2009, which collectively comprise the City of Lincoln's basic financial statements. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Lincoln Electric System which represent 58%, 32% and 77%, respectively, of the total assets, net assets and revenues of the business-type activities. Those financial statements were audited by other accountants whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Lincoln Electric System, is based solely on the report of the other accountants. The prior-year summarized comparative financial information in these statements has been derived from the City's basic financial statements as of and for the year ended August 31, 2008, and in our report dated February 11, 2009, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

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

In our opinion, based on our audit and the report of other accountants, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lincoln, Nebraska as of August 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund, street construction fund and federal grants fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

/s/ **BKD, LLP**

February 24, 2010



MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the City of Lincoln, Nebraska (the City) offers readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended August 31, 2009. Please consider this discussion in conjunction with the additional information provided in the Letter of Transmittal (beginning on page vii) and the transactions, events and conditions reflected in the City's financial statements (beginning on page 16).

FINANCIAL HIGHLIGHTS

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

The statement of activities presents information showing how the City's net assets changed during the year ended August 31, 2009. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general administrative services, public safety, streets and highways, health, planning and zoning, parks and recreation, libraries, aging services, job

programs, urban development, mass transportation, engineering, self-insurance, and fleet management. The business-type activities of the City include water, wastewater and electric utilities; ambulance transport; solid waste management; golf courses; auditorium; and parking.

The government-wide financial statements can be found on pages 16-17 of this report.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains thirty-seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, the Street Construction fund, and the Federal Grants fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund and most other governmental funds. A budgetary comparison statement has been provided for the General, Street Construction, and Federal Grants major funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 18-25 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 26-28 of this report.

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

The fiduciary fund financial statements can be found on pages 29-30 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-69 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City’s progress in funding its obligation to provide pension benefits to its police and fire employees, and to provide other postemployment benefits. Required supplementary information can be found on page 70 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets exceeded liabilities by \$1,508,997,184 at August 31, 2009.

By far the largest portion of the City’s net assets (70 percent) reflects its investment in capital assets (e.g., land, buildings, improvements, utility plant, infrastructure, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City Of Lincoln Condensed Statements of Net Assets August 31, 2009 and 2008

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

An additional portion of the City’s net assets (10 percent) represents resources that are subject to external restrictions on their use. The remaining balance of unrestricted net assets (20 percent) may be used to meet the government’s ongoing obligations to citizens and creditors.

At August 31, 2009, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

City Of Lincoln
Condensed Statements of Activities
For the Years Ended August 31, 2009 and 2008

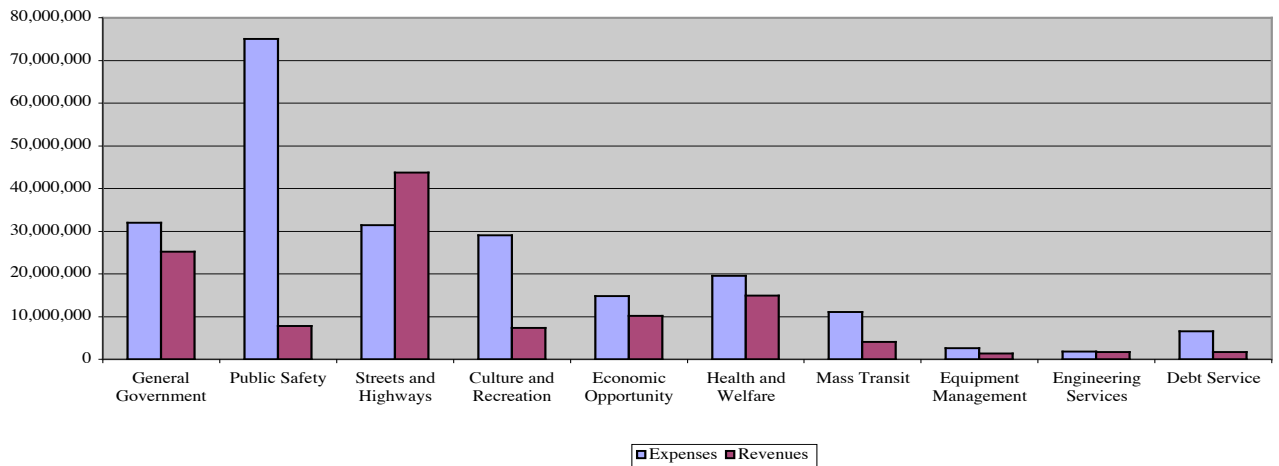
	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues:						
Charges for Services	\$ 41,844,680	44,757,932	315,614,846	291,083,622	357,459,526	335,841,554
Operating Grants and Contributions	50,412,504	52,058,209	-	26,000	50,412,504	52,084,209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

GOVERNMENTAL ACTIVITIES

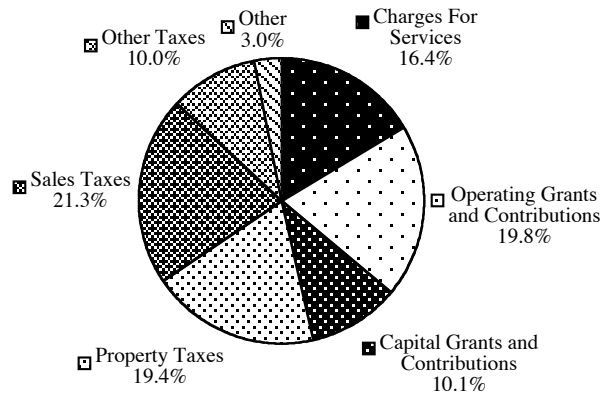
Governmental activities increased the City's net assets by \$33,210,202, accounting for 56 percent of the total growth in the net assets of the City of Lincoln. Key elements of this increase are as follows:

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

Expenses and Program Revenues - Governmental Activities



Revenues By Source - Governmental Activities



BUSINESS-TYPE ACTIVITIES

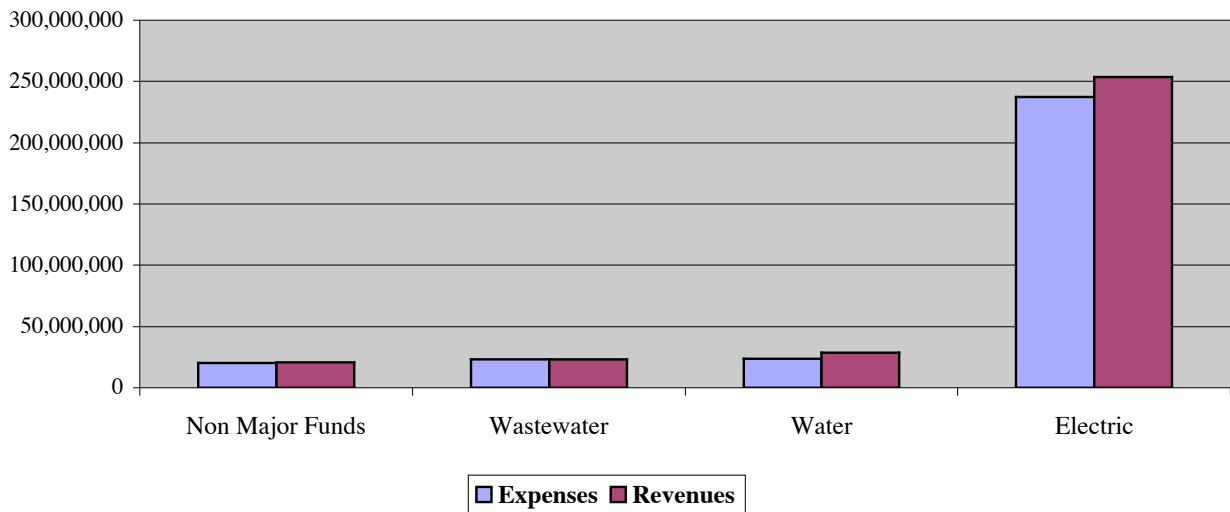
Business-type activities increased the City's net assets by \$26,579,304, accounting for 44 percent of the total growth in the government's net assets. Key elements of this increase are as follows:

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

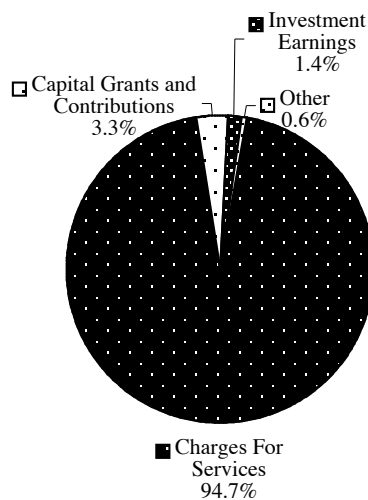
Lincoln Electric System operating revenue in 2008 was 10% higher than 2007 due to retail rate increases of 5.0% in March, 2008 and 9.1% on September 1, 2008, while retail energy sales remained flat. Wholesale revenue was higher from the firm sale of power from Walter Scott #4 generating station.

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

Expenses And Program Revenues - Business-type Activities



Revenues By Source - Business-type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

GOVERNMENTAL FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of August 31, 2009, the City's governmental funds reported combined ending fund balances of \$190,767,075, a decrease of \$(4,055,706) in comparison with the prior year. Of this total amount, 58 percent constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to:

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

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

The fund balance of the City's General Fund decreased by \$(223,557) during 2009. For the current fiscal year, appropriated General fund balance, used as a funding source for the budget increased \$284,618. General Fund balances as a future funding source are projected to decrease as the City reduces balances, measured at year end, to a goal of 15% of the projected General Fund budget five years in the future.

The Street Construction Fund had a total fund balance of \$28,388,503, which is to be used in the construction and maintenance of street and highways. The net decrease in fund balance during 2009 in the Street Construction Fund was \$(1,749,329), as is expected as the City spends down bond proceeds on current projects.

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

PROPRIETARY FUNDS

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

Unrestricted net assets of the Wastewater System, Water System, Electric System, and other enterprise funds amounted to \$5,424,150, \$10,247,629, \$77,576,000 and \$6,415,740, respectively, at August 31, 2009 (December 31, 2008 for LES). Factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

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

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

- \$3,451,077 positive variance in real estate and personal property tax. Actual property collections were 96.83% of the 2008 levy, while estimated tax revenue is based on 90% collections as provided by the City Charter.
- \$(2,709,458) negative variance in taxes collected by others. Current year sales tax collections have been impacted by the national economy and also an increase in refunds over the prior year.
- \$2,270,001 positive variance in miscellaneous general government expenditures. Significant savings were realized in several service line items that are reappropriated to cover ongoing future expenditures.
- \$(1,347,513) negative variance in street lighting function expenditures. This variance was the result of additions related to both normal construction as well as Antelope Valley Project construction.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of August 31, 2009, amounts to \$2,025,164,265 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, streets, bridges, storm sewers, electric plant, and water and sewer plant. The total increase in the City's investment in capital assets for 2009 was 2.3 percent (a 2.7 percent increase for governmental activities and a 2.2 percent increase for business-type activities).

Major capital asset events during 2009 included the following:

- A variety of street construction widening and expansion projects for existing streets and bridges continued. Along with new construction of streets and drainage projects, construction-in-progress of infrastructure as of August 31, 2009 reached \$82,682,000
- Continued major electric plant construction including the transmission, substation and distribution system which totaled over \$45.6 million in 2008.
- Wastewater System capital assets increased by approximately \$518,000 (.21 percent). Major project additions included:
 - ✓ Trunk sewer improvement mains – \$4,273,000
- Water System capital assets increased by approximately \$12,516,000 (4 percent) due to major project additions such as:
 - ✓ Water transmission pump station & mains - \$7,915,000
 - ✓ Water distribution mains - \$1,820,000
 - ✓ Water treatment plan - \$2,716,000

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

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

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

LONG-TERM DEBT

At August 31, 2009, the City of Lincoln had total bonded debt outstanding of \$905,836,000. Of this amount, \$132,446,000 comprises debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

City Of Lincoln
Outstanding Bonded Debt
August 31, 2009 and 2008
(dollar amounts in thousands)

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

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

The City maintains the following credit ratings:

	Moody's Investors <u>Service</u>	Standard And <u>Poor's</u>	Fitch Investors <u>Service</u>
General Obligation Bonds	Aaa	AAA	-
Antelope Valley Project Bonds	Aa2	AA	-
Water Revenue Bonds	Aa2	AA	-
Wastewater Revenue Bonds			
MBIA insured	Aaa	AAA	-
Underlying	Aa2	AA+	-
Parking Revenue Bonds	A2	A	-
Lincoln Electric System			
Revenue Bonds	Aa2	AA	AA
2005 Revenue Bonds			
FSA insured	-	AAA	AAA
2007 Revenue Bonds			
FGIC insured	Aaa	AAA	AAA
Commercial Paper – tax exempt	-	A1+	F1+

Under the City's Home Rule Charter, there is no legal debt limit.

Additional information on the City's long-term debt can be found in Note 9 of the notes to the financial statements on pages 51-55 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Property tax revenue required to fund the 2010 budget decreased \$489,992 or (1.19) percent from the prior year. Total change in the tax base is also estimated at (1.19) percent, therefore the tax rate for 2010 remains the same as 2009.
- The adequacy of fees charged for City service cost recovery is examined each year and some fee increases are included in each annual budget. Without periodic increases in fees, amounts collected, or other revenue adjustments, inflationary cost increases would need to be covered by additional property tax revenue or the levels of service provided would need to be reduced. Fee adjustments in 2010 include an increase in the telecommunications occupation tax rate from 5.5% to 6.0%, and the natural gas franchise fee is increased by 10% as allowed in the franchise agreement.
- Sales tax collections for 2009 finished 4.76 percent behind projections. 2010 projections reflect a 2.5 percent increase over 2009 actual collections.
- Re-bidding the City's self-insured health care plan and amortizing fund balances accumulated through positive claims experience allows for a 10% rate decrease resulting in nearly a \$1.6 million savings in all funds for 2010.
- Fuel budgets throughout City departments are reduced \$2.3 million due to the drop in fuel prices from their record high during the summer of 2008.
- A 5 percent water rate increase and a 4 percent wastewater rate increase were adopted by the City Council and are effective January 2010.
- A hiring freeze and a retirement incentive package have been utilized to create vacant positions, eliminate positions, encourage reorganizations and make budget reductions while at the same time minimizing the number of layoffs. As a result, the net change for all funds is a decrease of 22.94 full-time equivalents for the 2010 budget.

All of these factors were considered in preparing the City's budget for the 2010 fiscal year.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

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

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

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

CITY OF LINCOLN, NEBRASKA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2009
With Summarized Financial Information for the Year Ended August 31, 2008

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
			Operating	Capital			Totals	
		Charges for	Grants and	Grants and	Governmental	Business-Type		
		Services	Contributions	Contributions	Activities	Activities	2009	2008
Expenses								
Functions/Programs								
Governmental Activities:								
General Government	\$ (31,985,923)	20,413,769	3,582,323	1,193,381	(6,796,450)	-	(6,796,450)	(10,062,024)
Public Safety	(75,077,334)	4,921,077	2,826,531	-	(67,329,726)	-	(67,329,726)	(63,005,084)
Streets and Highways	(31,465,735)	3,202,082	17,647,283	22,892,011	12,275,641	-	12,275,641	30,488,982
Culture and Recreation	(28,998,338)	3,537,088	2,310,282	1,532,802	(21,618,166)	-	(21,618,166)	(21,055,650)
Economic Opportunity	(14,851,021)	750,883	9,412,747	-	(4,687,391)	-	(4,687,391)	(5,412,869)
Health and Welfare	(19,592,758)	4,345,410	10,591,849	-	(4,655,499)	-	(4,655,499)	(4,675,870)
Mass Transit	(11,059,139)	1,530,247	2,521,489	-	(7,007,403)	-	(7,007,403)	(6,925,308)
Equipment Management	(2,562,842)	1,377,287	-	-	(1,185,555)	-	(1,185,555)	(979,012)
Engineering Services	(1,859,008)	1,667,399	-	5,929	(185,680)	-	(185,680)	120,444
Interest on Long-Term Debt	(6,503,466)	99,438	1,520,000	122,657	(4,761,371)	-	(4,761,371)	(4,192,612)
Total Governmental Activities	(223,955,564)	41,844,680	50,412,504	25,746,780	(105,951,600)	-	(105,951,600)	(85,699,003)
Business-Type Activities:								
Parking Lots	(297,452)	425,549	-	-	-	128,097	128,097	138,086
Golf	(3,170,423)	3,123,544	-	-	-	(46,879)	(46,879)	(234,676)
Parking Facilities	(4,710,433)	6,610,282	-	-	-	1,899,849	1,899,849	1,946,878
Municipal Auditorium	(1,937,132)	1,185,656	-	-	-	(751,476)	(751,476)	(599,048)
Solid Waste Management	(6,543,805)	5,123,772	-	-	-	(1,420,033)	(1,420,033)	(1,634,019)
Emergency Medical Services	(3,687,450)	4,317,445	-	-	-	629,995	629,995	328,121
Wastewater System	(22,979,974)	21,111,385	-	2,057,734	-	189,145	189,145	4,154,957
Water System	(23,794,190)	25,586,213	-	3,274,336	-	5,066,359	5,066,359	3,586,506
Electric System	(237,476,000)	248,131,000	-	5,693,000	-	16,348,000	16,348,000	5,973,000
Total Business-Type Activities	(304,596,859)	315,614,846	-	11,025,070	-	22,043,057	22,043,057	13,659,805
Total	\$ (528,552,423)	357,459,526	50,412,504	36,771,850	(105,951,600)	22,043,057	(83,908,543)	(72,039,198)
General Revenues:								
Property Tax					49,370,031	-	49,370,031	48,016,158
Motor Vehicle Tax					4,323,350	-	4,323,350	4,303,363
Wheel Tax					10,697,955	-	10,697,955	10,458,568
Sales and Use Tax					54,337,312	-	54,337,312	55,351,848
Sundry and In Lieu Tax					46,078	-	46,078	45,761
Occupation Tax					10,541,781	1,978,659	12,520,440	12,172,659
Unrestricted Grants and Contributions					1,542,816	-	1,542,816	1,569,021
Unrestricted Investment Earnings					5,181,996	4,680,958	9,862,954	15,499,919
Miscellaneous General Revenues					844,591	152,522	997,113	955,865
Transfers					2,275,892	(2,275,892)	-	-
Total General Revenues and Transfers					139,161,802	4,536,247	143,698,049	148,373,162
Change in Net Assets					33,210,202	26,579,304	59,789,506	76,333,964
Net Assets - Beginning					760,928,330	688,279,348	1,449,207,678	1,372,873,714
Net Assets - Ending					\$ 794,138,532	714,858,652	1,508,997,184	1,449,207,678

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

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

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

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	595,497,261
Investment in joint venture is not a financial resource and, therefore, is not reported in the funds.	149,808,057
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	13,419,823
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	29,282,074
Accrued pension contribution, long-term construction contracts and other liabilities require the use of unavailable financial resources and, therefore, are not reported in the funds.	(5,231,757)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(179,404,001)
Net assets of governmental activities	<u>\$ 794,138,532</u>

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

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

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

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

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

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

Net change in fund balances - total governmental funds	\$ (4,055,706)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	14,061,193
The net effect of various miscellaneous transactions involving capital contributions is to increase net assets.	5,712,574
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds; change in revenues in fund statements previously recognized in the statement of activities.	(8,839,359)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	4,571,173
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(1,715,276)
Changes in the net pension asset/obligation and the net OPEB asset/obligation do not represent financial activity in governmental funds.	90,534
Changes in the interest in the underlying net assets of the joint venture do not represent financial activity in governmental funds.	22,069,965
Internal service funds are used by management to charge the costs of certain services to individual funds. The net revenue of the internal service funds is reported within governmental activities.	<u>1,315,104</u>
Change in net assets of governmental activities	<u>\$ 33,210,202</u>

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

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

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

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



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

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

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

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

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

(Continued)

(Federal Grants Fund, Continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CITY OF LINCOLN, NEBRASKA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED AUGUST 31, 2009

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The accompanying financial statements present the government of the City of Lincoln, Nebraska (City). Based upon the criteria identified in Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*, and Statement 39, *Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14*, none of the City's significant potential component units are required to be included as part of the reporting entity. Regarding related organizations, the City's Mayor appoints and the City Council approves all of the board appointments of the Housing Authority of the City of Lincoln. However, the City has no further accountability for this organization.

FISCAL YEAR-END

All funds of the City, with the exception of Lincoln Electric System (LES), are reported as of and for the year ended August 31, 2009. December 31st is the fiscal year-end of LES as established by the City Charter, and the last separate financial statements were as of and for the year ended December 31, 2008. The amounts included in the City's 2009 financial statements for LES are amounts as of and for the year ended December 31, 2008.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *total economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are

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levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Agency funds, reporting only assets and liabilities, have no measurement focus but use the accrual basis of accounting.

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

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

The City reports the following major governmental funds:

The General Fund finances the day-to-day operation of the basic governmental activities, such as legislative, judicial, administration, police and fire protection, legal services, planning, and parks and recreation.

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

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

The City reports the following major enterprise funds:

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

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

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

Additionally, the City reports the following fund types:

Internal Service Funds account for data processing, engineering, risk management, fleet management, telecommunications, and copy services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

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

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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

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

Receivables and Payables

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

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

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

Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. When certain payments are made that have benefit to future accounting periods and are funded by interfund borrowings, they are recorded as prepayments, with a like amount of interfund liability reflected. The prepayments are charged to expenditures on the governmental fund financial statements over the period of their economic benefit.

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

Deferred Charges

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

Investment in Joint Venture

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

Capital Assets

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

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

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

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

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

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

Compensated Absences

City employees generally earn vacation days at a variable rate based on years of service. In the event of termination, an employee is reimbursed for accumulated vacation time up to a maximum allowed accumulation, which is in no case longer than 35 days.

Employees earn sick leave at the rate of one day per month with total accumulation limits established by the employees' bargaining unit. Upon retirement, an employee is reimbursed for accumulated sick leave with maximums depending on the employees' bargaining unit contract. In some cases payment may be placed in a medical spending account rather than reimbursing the employee directly. Police union employees who leave the City's service in good standing after giving two weeks notice of termination of employment are also compensated for sick leave. LES is covered by a separate personnel plan regarding vacation and sick leave with the liability for these benefits recorded in accrued liabilities.

Vacation leave and other compensated absences with similar characteristics are accrued as the benefits are earned if the leave is attributable to past service and it is probable that the City will compensate the employees for such benefits. Sick leave and other compensated absences with similar characteristics are accrued as the benefits are earned only to the extent it is probable that the City will compensate the employees for such benefits through cash payments conditioned on the employee's termination or retirement, and is recorded based on the termination method. Such accruals are based on current salary rates and include salary-related payments directly and incrementally associated with payments made for compensated absences on termination.

All vacation and sick leave is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. In the governmental funds, only compensated absences that have matured as of year-end, for example, as a result of employee resignations and retirements, are recorded as a fund liability.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt using the bonds-outstanding method. For current and advance refundings of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financing sources while

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discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

Fund Equity

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

The City has established a policy providing for an unreserved fund balance in the City's General Fund. To meet excess cash flow needs, no less than twenty percent of the ensuing year's General Fund budget is to be set aside as an unrestricted reserve. Currently \$23,004,086 of the General Fund's unreserved fund balance of \$27,586,521 meets the requirements of this policy, leaving an additional unreserved balance of \$4,582,435.

Net Assets Classification

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

Invested in capital assets, net of related debt – This component of net assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt.

Restricted – This component of net assets consists of restrictions placed on net assets use through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or law or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports \$149,455,401 of restricted net assets, of which enabling legislation restricts \$18,385,933.

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

BUDGETARY DATA

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

- 1) At least 40 days prior to the end of the budget and fiscal year, the Mayor submits to the City Council a proposed annual budget for the ensuing year. The annual budget is a complete financial plan for the ensuing budget year and consists of an operating budget and a capital budget.
- 2) Public hearing on the proposed budget is scheduled for not later than 10 days prior to the budget adoption date.
- 3) Not later than 5 days prior to the end of the fiscal year, the budget is legally adopted by resolution of the City Council.
- 4) The Mayor is authorized to transfer unencumbered balances between appropriations of the same department or agency. The Mayor also has authority to lower appropriations in any fund where actual revenues are less than appropriated in order to avoid incurring a budget deficit for the year.

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

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

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

- 6) Appropriation controls are required at the departmental level. However, as a matter of policy and practice, appropriations generally are controlled at the next level of organization (division) or by fund within a department.
- 7) Operating appropriations lapse at the end of the fiscal year except for capital improvement appropriations and year-end encumbrances against operating budgets. Capital improvement appropriations are continuing appropriations through completion of the project.
- 8) Budgets are adopted by resolution for the following fund types: general, special revenue, debt service, capital projects, permanent, enterprise, internal service, and pension trust. Legally adopted annual budgets are not established for certain special revenue (Advance Acquisition, Police & Fire Pension Contributions, Special Assessment, Impact Fees, Development Services Center, Other (Tax Sales Revolving, Property Tax Refunds, Robert Crawford Corridor), Parks & Recreation Special Projects, and Seniors Foundation of Lincoln & Lancaster County), permanent (J.J. Hompes), and agency funds. In addition, capital project funds are budgeted on a project rather than an annual basis.

ENDOWMENTS

The Community Health Permanent Endowment Fund was established in 1997 with the \$37,000,000 cash proceeds realized by the City from the sale of Lincoln General Hospital, and may be increased by donations, bequests, or appropriations to the fund. Investment earnings of the fund are used for funding health and health-related programs that further the health, safety, or welfare of the citizens of Lincoln. Earnings deposited with the City Treasurer shall be paid out only by order of those persons designated by the Community Health Endowment (CHE) Board of Trustees as outlined in the Fiscal and Budget Directives policy between the CHE and the City. State law directs that, subject to the intent of a donor expressed in the gift instrument, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. The current amount of net appreciation available for expenditure is \$12,860,672, which is reported as expendable health care restricted net assets in the statement of net assets. The initial endowment principal is reported as nonexpendable health care restricted net assets in the statement of net assets.

PRIOR-YEAR SUMMARIZED FINANCIAL INFORMATION

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's basic financial statements as of and for the year ended August 31, 2008, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of

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the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ materially from those estimates.

IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

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

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

NEW ACCOUNTING PRONOUNCEMENTS

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

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

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

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

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

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

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

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

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The governmental funds balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets of governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, “Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, not reported in the funds.” The details of the \$179,404,001 difference are as follows:

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

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

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

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

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

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

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

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

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(3) RESTRICTED ASSETS

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

Certain assets of the Golf Enterprise Fund are classified as restricted assets to be used for capital improvements.

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

A recap of restrictions and related balances at August 31, 2009 are as follows:

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

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

(4) DEPOSITS AND INVESTMENTS

DEPOSITS

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

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

One or more of the financial institutions holding the City's cash accounts are participating in the FDIC Transaction Account Guarantee Program. Under the program, through December 31, 2009, all noninterest-bearing transaction accounts at these institutions are fully guaranteed by the FDIC for the entire amount in the account. For interest-bearing cash accounts, the City's cash deposits, including certificates of deposit, are insured up to \$250,000 by the FDIC. Any cash deposits or certificates of deposit in excess of the \$250,000 FDIC limits are covered by collateral held in a Federal Reserve pledge account or by an agent for the City and thus no custodial risk exists.

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INVESTMENTS

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

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

INVESTMENT POLICIES

General City Policy

Generally, the City's investing activities are managed under the custody of the City Treasurer. Investing is performed in accordance with the investment policy adopted by the City Council complying with state statutes and the City Charter. The City may legally invest in U.S. government securities and agencies, U.S. government sponsored agencies, and in bank repurchase agreements. It may also invest to a limited extent in corporate bonds, bankers' acceptances, and investment agreements.

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

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

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

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

Investment agreements are made with provisions that if the provider is downgraded below Aa3 by Moody's Investors Service (Moody's) or AA- by Standard & Poor's (S&P) the provider must deliver collateral of U.S. Government agencies obligations at a margin of 104% and if the provider is further downgraded, the City will have the right to terminate the agreement and receive all invested amounts plus accrued but unpaid interest without penalty. As of August 31, 2009, the investment agreements were adequately collateralized with U.S. Government agencies obligations that had a rating of Aaa by Moody's and AAA by S&P.

The \$23,934 non-rated money market fund is held in the J.J. Hompes fund. The money market fund is comprised of highly rated securities. The external investment funds are held in the City's idle fund pool and are comprised of Nebraska Public Agency Investment Trust (NPAIT) and Short-Term Federal Investment Trust (STFIT). NPAIT and STFIT invest in only the highest quality securities, including U.S. government, rated U.S. sponsored agencies, and guaranteed student loans.

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

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

Community Health Endowment (CHE) Policy

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

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

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, CHE's investment policy limits all bond investments to a maximum maturity of 30 years. Mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. It is CHE's policy to limit its investments in U.S. treasury and U.S. agency obligations to issues with at least Baa / BBB ratings. Short-term fixed income issues should have a minimum A-2 / P-2 rating. Investments in corporate debt, bank loan portfolios, and associated high yield fixed income mutual funds must have a minimum average credit rating of B-.

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

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

Police & Fire Pension Trust Policy

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

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

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

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

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

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

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
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Summary of Deposit and Investment Balances

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

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

Securities Lending Transactions

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

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

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
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(5) RECEIVABLES

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

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

Enterprise funds customer accounts receivable include unbilled charges for services.

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

(6) DUE FROM OTHER GOVERNMENTS

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

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

CITY OF LINCOLN, NEBRASKA
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(7) **CAPITAL ASSETS**

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

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

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

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

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

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

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

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

During 2009, Lincoln Wastewater System incurred \$3,708,468 of interest cost, of which \$127,478 was capitalized into construction in progress. Lincoln Water System incurred \$2,941,269 of interest cost, of which \$1,140,661 was capitalized into construction in progress. Capitalized interest is added to the cost of the underlying assets and is amortized over the useful lives of the assets.

Lincoln Electric System utility plant includes an allowance for funds used during construction of projects costing in excess of \$500,000 with a construction period in excess of 12 months. The allowance for funds used during construction consists of the plant balance times the weighted-average interest rate on debt based on Federal Energy Regulatory Commission accounting method. The weighted-average rate for 2008 was 4.6%.

CITY OF LINCOLN, NEBRASKA
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(8) INTERFUND BALANCES AND ACTIVITY

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

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

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

During 2005 the City’s General Fund purchased the street light system from LES at an amount equal to the net book value of the street light system at the transaction date. The purchase was financed through an interfund borrowing. On the government-wide statements, the purchase was accounted for as a purchase of capital assets of governmental activities and a sale of capital assets of business-type activities. On the governmental fund statements, the General Fund recognized a liability in due to other funds and a prepayment for the funds borrowed from the City’s other funds. Each fund has recorded a receivable for the pro-rata share of the borrowed funds. The General Fund will pay back the amount borrowed plus interest in scheduled monthly installments over a period of 120 months. As payments are made, the General Fund will reduce the liability, the related prepayment, and recognize streets and highways expenditures.

Transfers To/From Other Funds for the year ended August 31, 2009, consist of the following:

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

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

CITY OF LINCOLN, NEBRASKA
Notes to the Financial Statements
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(9) LONG-TERM DEBT

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

Net assets of \$3,945,644, \$3,401,372, and \$8,708,856, are currently available in the debt service funds to service the General Obligation Bonds, Tax Supported Bonds, and Tax Allocation Bonds, respectively. Revenue Bonds are funded partially from reserve accounts set up for debt repayment and partially from proceeds of daily operations.

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

	Governmental Activities	Business-Type Activities
Land	\$ 515,750	\$ 210,000
Buildings	11,914,750	-
Improvements	219,925	-
Infrastructure	10,933,215	-
Machinery and Equipment	1,838,042	3,113,553
Less Accumulated Depreciation, (where applicable)	<u>(3,483,954)</u>	<u>(2,416,018)</u>
Total	<u>\$ 21,937,728</u>	<u>\$ 907,535</u>

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

Established by City Ordinance, LES may borrow up to \$150 million under a commercial paper note program. At December 31, 2008, LES had \$90 million of tax-exempt commercial paper notes outstanding. The notes mature at various dates but not more than 270 days after the date of issuance. The weighted-average interest rate for the year ended December 31, 2008, was 2.29 percent. The annual requirement to pay interest on this outstanding debt is approximately \$2.1 million. The outstanding commercial paper notes are secured by a revolving credit agreement, which provides for borrowings up to \$150 million. LES pays a commitment fee for the credit agreement. Under the terms of the agreement, LES can either settle or refinance the commercial paper upon maturity. LES uses these vehicles as part of their long-term financing strategy. As such, commercial paper is renewed as it matures. The average length of maturity of commercial paper for 2008 was 61 days.

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

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

Original Amount	Issued	Issue	Interest Rate	When Due	Date Callable	Interest Date	Outstanding
Governmental Activities:							
General Obligation Bonds:							
General Bonds:							
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>
Business-Type Activities:							
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>

CITY OF LINCOLN, NEBRASKA
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Annual requirements to pay principal and interest to maturity on outstanding debt follow (in thousands of dollars):

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

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

Major Enterprise fund annual requirements to pay principal and interest to maturity on outstanding debt follow (in thousands of dollars):

Fiscal Year Ended August 31	Major Enterprise Funds					
	Wastewater System		Water System		Electric System	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 2,695	3,731	6,050	3,458	17,000	28,673
2011	2,785	3,607	6,310	3,192	17,820	27,840
2012	2,880	3,504	5,380	2,905	18,680	26,956
2013	2,980	3,388	3,310	2,647	19,610	26,007
2014	3,085	3,263	3,425	2,506	20,595	25,010
2015 - 2019	17,325	14,014	19,260	10,051	119,325	108,427
2020 - 2024	21,365	9,604	20,710	5,235	97,430	79,359
2025 - 2029	23,110	4,128	6,930	1,729	82,580	60,187
2030 - 2034	4,880	384	4,905	684	104,675	37,804
2035 - 2039	-	-	-	-	103,335	10,447
	<u>\$ 81,105</u>	<u>45,623</u>	<u>76,280</u>	<u>32,407</u>	<u>601,050</u>	<u>430,710</u>

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

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

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

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

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

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

(10) RECONCILIATION OF BUDGET BASIS TO GAAP

Amounts presented on a non-GAAP budget basis of accounting differ from those presented in accordance with GAAP due to the treatment afforded accruals, encumbrances, and funds for which legally adopted annual budgets are not established. A reconciliation for the year ended August 31, 2009, which discloses the nature and amount of the adjustments necessary to convert the actual GAAP data to the budgetary basis, is presented below:

	General Fund	Street Construction Fund	Federal Grants Fund
Net Change in Fund Balances:			
Balance on a GAAP basis	\$ (223,557)	(1,749,329)	1,811,440
Basis differences (accruals) occur because the cash basis of accounting used for budgeting differs from the modified accrual basis of accounting prescribed for governmental funds.	1,441,608	1,091,224	(1,410,862)
Amount budgeted on a project basis.	-	8,798,288	-
Balance on a budget basis	\$ 1,218,051	8,140,183	400,578

CITY OF LINCOLN, NEBRASKA
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(11) DEFICIT NET ASSETS

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

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

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

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

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

(12) EXCESSES OF EXPENDITURES OVER APPROPRIATIONS

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

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

(13) EMPLOYEES' RETIREMENT PLANS

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

POLICE AND FIRE PENSION

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

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

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

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

Funding Policy – The contribution requirements of plan members and the City are established by City Ordinance #15728 dated September 24, 1990, and may be amended by the City Council. Plan members are required to contribute between 7% and 8% of their annual covered salary based on an election made by the employee. The City is required to contribute at an actuarially determined rate; the rate for fiscal year 2009 was 9.99% of annual covered payroll. Actual contributions by the City were 10.7% of annual covered payroll. Administrative costs of PFDP are financed through investment earnings.

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

(Dollar amounts in thousands)

Annual required contribution	\$ 3,316
Interest on net pension obligation	332
Adjustment to annual required contribution	<u>(525)</u>
Annual pension cost	3,123
Contributions made	<u>3,572</u>
Decrease in net pension obligation	(449)
Net pension obligation beginning	<u>4,432</u>
Net pension obligation ending	<u>\$ 3,983</u>

Three-Year Trend Information
(Dollar amounts in thousands)

Year Ended August 31	Annual Pension Cost (APC)	Annual Pension Contribution	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 3,123	\$ 3,572	114 %	\$ 3,983
2008	3,907	3,456	88	4,432
2007	3,905	3,494	89	3,981

Actuarial Methods and Assumptions – The annual required contribution for the current year was determined as part of the August 31, 2007, actuarial valuation using the entry age actuarial funding method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5% per year compounded annually, (b) projected salary increases of 4.25 to 8.25% per year, including wage inflation at 4.25%, and (c) the assumption that benefits will not increase after retirement. The actuarial value of assets was determined using a four year smoothed market method. The unfunded actuarial accrued liability is being amortized as a level percentage of payrolls on an open basis over a period of ten years.

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

CITY OF LINCOLN, NEBRASKA
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of \$9,766,000. The covered payroll (annual payroll of active employees covered by the plan) was \$33,450,000, and the ratio of the UAAL to the covered payroll was 29.2 percent.

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

ELECTRIC SYSTEM

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

LES has a defined contribution retirement plan covering all employees upon employment; however, employees are not eligible to receive employer contributions until they have been employed six months. The plan is a straight-money purchase plan, administered by LES. LES' contribution is equal to 200% of the employees' contributions, which range from 2% to 5% of gross wages. The administrative board of directors authorized this plan and related contribution requirements. Vesting of LES contributions occurs over a five-year period. Employee forfeitures are used to reduce employer contributions. Vested benefits are fully funded. For the year ended December 31, 2008, LES incurred contribution expense of approximately \$3,092,000 (9.6% of covered payroll) and its employees contributed approximately \$2,068,000 (6.4% of covered payroll).

DEPARTMENT DIRECTORS

Directors of City departments are eligible the first of the month following the date employed to be covered by the Director's Money Purchase Plan, established by City Ordinance, and administered by an insurance company. The Plan is a defined contribution plan requiring the City to contribute 6% of the first \$4,800 of earned income plus 12% of earned income over \$4,800 in one calendar year. Employees covered by the Plan may also make voluntary contributions. Participant accounts are immediately 100% vested. Total and covered payroll for the year ended December 31, 2008, was \$1,788,512. City contributions totaled \$201,463 or 11.3% of covered payroll. There were no employee contributions made for the year ended December 31, 2008.

ALL OTHER CITY EMPLOYEES

All other City employees are eligible after 6 months' service and age 19 to be covered under the City's Money Purchase Pension Plan, established by City Ordinance, and administered by an insurance company. Enrollment in the program is mandatory at age 40 with 5 years service. Vesting occurs in increments between 3 and 7 years of enrollment in the plan. The Plan is a defined contribution plan requiring employees to contribute 3% of earnings on the first \$4,800 and 6% on the balance of earnings. Currently, the City contributes 200% of the employees' contributions. Employee forfeitures are used to reduce employer contributions. Employees covered by the Plan may also make voluntary contributions. During the year ended December 31, 2008, total payroll was approximately \$74,440,000 and covered payroll was approximately \$65,321,000. City contributions totaled \$7,262,377 or 11.1% of covered payroll and employee contributions totaled \$3,731,432 or 5.7% of covered payroll. Employees made \$32,572 in voluntary contributions for the year ended December 31, 2008.

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(14) OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

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

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

The net OPEB obligation as of August 31, 2009, was calculated as follows:

(Dollar amounts in thousands)

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

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

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

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

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

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

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

PEHP – Defined Contribution Plan

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

Terms for eligibility and contribution rates are specified in the City's various collective bargaining agreements. Individual employee accounts consist of employer contributions, investment returns and any forfeiture allocations. Current employer contributions range from \$18-\$50 per pay period based on union contracts. Current year contributions totaled approximately \$1,275,000.

(15) PROPERTY TAXES

The Home Rule Charter of the City imposes a tax ceiling for general revenue purposes. The City tax ceiling was established by using the September 1, 1966, City dollar tax limit as an initial tax limit, and increasing that tax limit each year following 1966 by 7% so that in each fiscal year thereafter the amount of the City tax limit shall be the amount of the City tax limit for the previous year plus 7% thereof. In addition, the City has the power to levy taxes each year sufficient to pay any judgment existing against the City, the interest on bonded debt, and the principal on bonded debt maturing during the fiscal year or within 6 months thereafter, as well as taxes authorized by state law. The 2008 tax levy, for the 2008-2009 fiscal year, was \$76,225,407 below the legal limit, with a tax rate per \$100 valuation of \$0.2879. The assessed value upon which the 2008 levy was based was \$15,935,572,737.

The tax levies for all political subdivisions in Lancaster County are certified by the County Board on or before October 15th. Real estate taxes are due on December 31st and attach as an enforceable lien on property on January 1st following the levy date and become delinquent in two equal installments on April 1st and August 1st. Personal property taxes are due December 31st and become delinquent on April 1st and August 1st following the levy date. Delinquent taxes bear 14% interest.

Within the government-wide financial statements, property taxes are recognized as revenue in the year for which they are levied. Property taxes levied for 2008-2009 are recorded as revenue in the fund financial statements when expected to be collected within 60 days after August 31, 2009. Prior-year levies were recorded using these same principles, and remaining receivables are re-evaluated annually. Property taxes expected to be collected after 60 days are recorded as deferred revenue on the fund balance sheets.

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

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(16) RISK MANAGEMENT

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

For the year ended August 31, 2009, the City had a self-insured retention for workers' compensation exposures up to \$500,000 per individual; law enforcement liability, general liability, public officials liability, public transportation liability, medical professional liability, and auto liability exposures up to \$250,000 per occurrence; building and contents property exposures up to \$50,000 per occurrence; health and dental benefits, and employee long-term disability benefits.

The City also obtained excess liability insurance coverage in the current year. Workers' compensation was covered by a policy that provided statutory limits above the City's retention of \$500,000 per individual. Law enforcement, general, public officials, public transportation, medical professional, and auto liabilities were covered by policies that provided limits of \$6 million per occurrence with a \$12 million annual aggregate. Health had excess loss indemnity coverage above \$150,000 per claim and above 125% of the aggregate attachment point. The Nebraska Political Tort Claims Act limits the City's liability for tort claims to \$1 million per individual and \$5 million per occurrence.

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

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

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

The City funds its self-insurance program on an "incurred loss" basis. The governmental and proprietary funds pay annual premium amounts, based on past experience of incurred losses, to the Insurance Revolving Fund. Claim liabilities of \$8,563,477 were recorded at August 31, 2009. Excluding medical care claims approximating \$1,692,000, the remaining liability is the actuarially estimated amount of claims based on an estimate of ultimate incurred and incurred but not reported losses as of that date and is calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs, and other economic and social factors. The claims liability estimate also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of their allocation to specific claims. These liabilities have been discounted using a 3.89% discount rate. The City has purchased no annuity contracts in the current fiscal year to resolve City of Lincoln claims.

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

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

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

LINCOLN ELECTRIC SYSTEM

LES has a self-funded health insurance program with claims processed by and on behalf of the utility. As part of the plan, a reinsurance policy has been purchased which covers claims in excess of \$100,000 per individual. Total accrual and payment history is shown below:

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

(17) COMMITMENTS AND CONTINGENCIES

GENERAL

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

At August 31, 2009, approximately 97% of the full-time, regular City's employees are represented by a Union. The existing union contracts will expire in August 2010.

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

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

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

The City has entered into various agreements with developers for reimbursement of eligible infrastructure construction. After construction is substantially complete, the developer will be reimbursed based upon the anticipated expenditure appropriations or collection of directed impact fees within the development area. As of August 31, 2009, the City's commitment to developers is estimated to be approximately \$59,000,000.

STREET CONSTRUCTION PROJECTS

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

LINCOLN WASTEWATER SYSTEM

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

LINCOLN WATER SYSTEM

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

LINCOLN ELECTRIC SYSTEM

Participation Contracts with NPPD

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

LES is responsible for its respective participating interests in the two facilities' capital additions and improvements. LES's share of debt service payments necessary to retire the respective participating interests of principal and interest on bonds issued by NPPD for the facilities was approximately \$6,700,000 in 2008. LES recognizes its share of capital acquisition costs and debt service payments as power costs in the period the costs are billed with the exception of costs approved for deferral under FAS 71. Fixed cost payments under the agreements are on a participation basis whether or not such plants are operating or operable. LES recognized expense for its share of the total fixed costs of approximately \$17,300,000 in 2008.

The participation contracts continue until the facilities are removed from commercial operation or the final maturity occurs on the related debt incurred by NPPD to finance the facilities, whichever occurs last. The estimated fixed cost payments to NPPD under these contracts, including capital additions and improvements, debt service payments and fixed costs, and credits aggregate approximately \$18,000,000, \$18,300,000, \$18,100,000, \$25,700,000, and \$22,100,000, respectively, in each of the five years subsequent to December 31, 2008.

CITY OF LINCOLN, NEBRASKA
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Laramie River Station (LRS)

LES is a 12.76 percent co-owner of the Missouri Basin Power Project, which includes LRS, a three-unit, 1,650 MW coal-fired generating station in eastern Wyoming and a related transmission system. Costs, net of accumulated depreciation, associated with LRS of approximately \$30,000,000 are reflected in utility plant at December 31, 2008.

LES has a participation power sales agreement with the County of Los Alamos, New Mexico (the County) whereby the County purchases from LES 10 MW of LES's capacity interest in LRS. The agreement provides for the County to pay LES monthly fixed payments for the repayment of debt service. The amount is subject to change each July 1 based on debt costs of LES relative to the current market rates, until termination of the agreement. The agreement remains in effect until either the final maturity occurs on any LRS related debt, LRS is removed from commercial operation, or the County gives LES six-months' notice to terminate the agreement. During 2008, LES billed the County approximately \$3,000,000 for demand and energy charges.

The LRS project participants, including LES, filed a rate case in 2004 with the federal Surface Transportation Board (STB) challenging the reasonableness of the freight rates from the Burlington Northern Santa Fe (BNSF) railroad for coal deliveries to LRS. In early 2009 the STB issued its decision and awarded the LRS project participants a favorable decision estimated by the STB at approximately \$345 million in rate relief. The STB awarded \$100 million to the LRS participants for past freight overcharges plus an expectation of present value rate benefits of approximately \$245 million due to a new tariff the STB ordered to be charged through 2024. BNSF is appealing the decision.

Walter Scott Energy Center (WS4)

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

(18) LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The City of Lincoln currently owns and operates both a municipal solid waste landfill and a construction and demolition debris landfill. State and federal laws require the City to close the landfills once capacity is reached and to monitor and maintain the site for thirty subsequent years on the municipal solid waste landfill and five subsequent years on the construction and demolition debris landfill. Although certain closure and postclosure care costs will be paid only near or after the date that the landfills stop accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each statement of net assets date.

At August 31, 2009, the City had incurred a liability of approximately \$6,753,000 for the municipal solid waste landfill which represents the amount of costs reported to date based on the approximately 45 percent of landfill capacity used to date. The remaining estimated liability for these costs is approximately \$8.1 million, which will be recognized as the remaining capacity is used (estimated to be approximately 24 years).

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

CITY OF LINCOLN, NEBRASKA
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approximately 50 percent of landfill capacity used to date. The remaining estimated liability for these costs is approximately \$527,000, which will be recognized as the remaining capacity is used (estimated to be approximately 15 years).

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

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

The City of Lincoln also owns a solid waste disposal area that discontinued operations in 1990. Although exempt from the U.S. Environmental Protection Agency *Solid Waste Disposal Facility Criteria* issued October 9, 1991, the City must still adhere to certain closure and postclosure care requirements under prior legislation, including the construction of final cover, monitoring of ground water conditions and landfill gas migration, and general site maintenance. At August 31, 2009, a liability for closure and postclosure care costs is recorded in the amount of approximately \$2,509,000, which is based on appropriations identified in the City's capital improvement projects budgeting process. Additional corrective action costs related to possible landfill gas migration and groundwater conditions may be identified once testing is completed and the state regulatory agency has issued a final determination. These additional potential costs cannot be reasonably estimated and thus no liability has been accrued as of August 31, 2009.

(19) FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Long-term debt – The estimated fair value of the long-term debt is approximately \$84,671,000 for the Water System and \$92,571,000 for the Wastewater System based on borrowing rates currently available as of August 31, 2009.

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

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

(20) SEGMENT INFORMATION

The City has issued revenue bonds and other debt instruments to finance capital construction and acquisitions for both the Parks and Recreation and Public Works/Utilities Departments. The Golf Division of the Parks and Recreation Department operates the City's golf courses and is accounted for in the Golf Fund. The Parking Facilities Division of the Urban Development Department operates the City's downtown parking garages and is accounted for in the Parking Facilities Fund. The Solid Waste Operations Section of the Public Works/Utilities Department operates the City's solid waste disposal sites, yard waste composting facility, and re-cycling drop-off program. Summary financial information for these divisions as of and for the year ended August 31, 2009, is presented as follows:

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

CITY OF LINCOLN, NEBRASKA
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(21) PLEDGED REVENUES

The City has pledged future revenues derived from the operation of the Lincoln Wastewater System, net of operating and maintenance expenses, to repay \$93,460,000 in wastewater revenue bonds. Proceeds from the bonds provided financing for improvements to the sanitary sewer system, as well as refunding a \$4.5 million loan to the City from the Nebraska Department of Environmental Quality. The bonds are payable solely from the net earnings of the Wastewater System and are payable through 2032. The total principal and interest remaining to be paid on the bonds is \$126,727,846, with annual payments expected to require 59 percent of net revenues. Principal and interest paid for the current year and net system revenues were \$6,440,044 and \$10,871,979, respectively.

The City has pledged future revenues derived from the operation of the Lincoln Water System, net of operating and maintenance expenses, to repay \$106,110,000 in water revenue bonds. Proceeds from the bonds provided financing for improvements to the water supply system, as well as refunding \$37.8 million of water revenue bonds. The bonds are payable solely from the net earnings of the Water System and are payable through 2034. The total principal and interest remaining to be paid on the bonds is \$108,687,485, with annual payments expected to require 70 percent of net revenues. Principal and interest paid for the current year and net system revenues were \$8,923,414 and \$12,843,110, respectively.

The City has pledged future revenues derived from the operation of the Lincoln Electric System, net of operating, maintenance and certain power expenses, to repay \$654,580,000 in electric revenue bonds. Proceeds from the bonds provided financing for construction of additional utility plant, as well as refunding certain issues of electric revenue bonds. The bonds are payable solely from the net earnings of the Electric System and are payable through 2037. The total principal and interest remaining to be paid on the bonds is \$1,031,760,000, with annual payments expected to require 55 percent of net revenues. Principal and interest paid for the current year and net system revenues were \$43,649,000 and \$86,251,000, respectively.

The City has pledged future revenues derived from the operation of the Lincoln Golf Courses, net of operating expenses, to repay \$3,165,000 in golf revenue refunding bonds. Proceeds from the bonds provided financing for refunding \$3.3 million of 1991 Golf Course Revenue Bonds. The bonds are payable solely from the net earnings of the municipal golf courses and are payable through 2011. The total principal and interest remaining to be paid on the bonds is \$758,565, with annual payments expected to require 73 percent of net revenues. Principal and interest paid for the current year and net system revenues were \$376,848 and \$616,700, respectively.

The City has pledged future revenues derived from the operation of the Lincoln Parking System, net of operating and maintenance expenses, and amounts, if any, distributed by the State for street purposes to repay \$19,510,000 in parking revenue bonds. Proceeds from the bonds provided financing for construction and improvements to the parking system, as well as refunding \$8,755,000 of Series 1994 A & C parking revenue bonds. The bonds are payable solely from the net earnings of the Parking System and are payable through 2022. The total principal and interest remaining to be paid on the bonds is \$13,388,332, with annual payments expected to require 50 percent of net revenues. Principal and interest paid for the current year and net system revenues were \$1,984,394 and \$4,139,482, respectively.

The City has pledged future revenues derived from the operation of the municipally owned solid waste management facilities, net of operating and maintenance expenses, to repay \$4,000,000 in solid waste management revenue bonds. Proceeds from the bonds provided financing for improvements to the solid waste facilities. The bonds are payable solely from the net earnings of the Solid Waste System and are payable through 2021. The total principal and interest remaining to be paid on the bonds is \$4,502,737, with annual payments expected to require 15 percent of net revenues. Principal and interest paid for the current year and net system revenues were \$343,225 and \$3,181,517, respectively.

(22) PUBLIC BUILDING COMMISSION

In 1990, the City and the County of Lancaster, pursuant to state statute, activated a separate governmental entity denominated as the Lincoln-Lancaster County Public Building Commission. The purpose of this joint venture is to design, acquire, construct, maintain, operate, improve, remodel, remove and reconstruct, so long as its corporate existence continues, public buildings, structures, or facilities for use jointly by the City and the County. The City and the County each appoint two members to the five-member Commission, with the fifth member being appointed by the other four members. All property held or acquired by the Commission is held or acquired in the name of the City and the County for use by the Commission in its corporate capacity. The Commission's costs of operation and debt service are funded through rental payments made by the City and the County based upon their proportionate occupancy of such buildings to the extent not covered by a maximum property tax levy of 1.7 cents for each \$100 of actual valuation of taxable property in the County. For the year ended August 31, 2009, the City made rental payments of approximately \$2.4 million to the Commission.

As of August 31, 2009, the Commission has bonds outstanding of \$43,960,000 attributable to several bond issues. Certain proceeds from the bonds totaling \$26,725,000 have been utilized by the Commission to acquire, construct, and/or renovate certain buildings occupied by the City and County. The City's proportionate share of such buildings are recorded as capital assets and the corresponding debt are reflected as capital leases in the City's financial statements. Lease payments are not recorded as capital lease payments in the Debt Service funds but rather are recorded as current expenditures in the various individual funds.

Additional bond proceeds, totaling \$29,000,000, have been utilized by the Commission to construct a new County-City building and to renovate the prior County-City building to be used as a Hall of Justice. It is estimated that the City occupies approximately 73% of the new building and 35% of the renovated building (Hall of Justice). It is anticipated that property tax levies by the Commission will be sufficient to meet bond principal and interest payments. Should revenues from such property tax levies not be sufficient to meet debt service requirements in any given year, the City and County would contribute the necessary payments based on their proportionate occupancy in such buildings. Such contributions are expected to be minimal and will be expensed in the appropriate funds when incurred. The City's proportionate share of the buildings has been recorded in capital assets in accordance with the terms of the joint venture agreement regarding the ultimate transfer of assets to the City and County.

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

(23) JOINT ANTELOPE VALLEY AUTHORITY

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

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

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

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

For the year ended August 31, 2009, total assets of JAVA reached approximately \$179 million, an increase of \$22 million from the prior year. The City's equity interest increased by approximately \$22 million to \$150 million.

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

(24) JOINTLY GOVERNED ORGANIZATIONS

District Energy Corporation

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

The DEC Board of Directors, under a twenty-year management agreement, has appointed LES to supervise and manage the system and business affairs of DEC. LES is reimbursed for these management services based on the allocated actual costs of these services. LES also provides electric energy to DEC at an established interruptible commercial rate. The total amount of payments to LES for management, operations, and maintenance services was approximately \$265,000 in 2008. The total amount of payments to LES for energy was approximately \$101,000 in 2008.

Nebraska Utility Corporation

On May 17, 2001, LES, in conjunction with another governmental entity, created the Nebraska Utility Corporation (NUCorp) to purchase, lease, construct, and finance facilities and acquire services in order to furnish energy requirements, utility and infrastructure facilities, and all related energy, utility, and infrastructure services to counties, cities, villages, school districts, sanitary and improvement districts, or other municipal corporations or political subdivisions of the State of Nebraska or political subdivisions of another state. The Board of Directors of NUCorp is comprised of five members: three members appointed by the University of Nebraska and two members appointed by LES. No participant has any obligation, entitlement, or residual interest.

Operations commenced in January 2002. The NUCorp board of directors, under a twenty-year management agreement, appointed LES to supervise and manage the system and business affairs of NUCorp. LES is reimbursed for these management services based on the allocated actual costs of these services. LES also provides electric energy to NUCorp on an established rate schedule. The total payment to LES for management, operations, and maintenance services was approximately \$88,000 in 2008. The total amount of payments to LES for energy was approximately \$9.0 million in 2008.

CITY OF LINCOLN, NEBRASKA
Required Supplementary Information
August 31, 2009

Schedule of Funding Progress for PFDP Pension

(dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
August 31, 2009	\$ 177,526	\$ 187,292	\$ 9,766	94.8 %	\$ 33,450	29.2 %
August 31, 2008	179,390	179,376	(14)	100.0	32,266	(0.0)
August 31, 2007	171,264	169,587	(1,677)	101.0	30,546	(5.5)
August 31, 2006	157,527	161,583	4,056	97.5	30,724	13.2
August 31, 2005	145,730	151,978	6,248	95.9	29,029	21.5
August 31, 2004	136,974	144,179	7,205	95.0	28,125	25.6

Schedule of Employer Contributions for PFDP Pension

(dollar amounts in thousands)

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

Schedule of Funding Progress for City OPEB

(dollar amounts in thousands)

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

APPENDIX C

SUMMARY OF PRINCIPAL DOCUMENTS

SUMMARY OF PRINCIPAL DOCUMENTS

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

DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“Bond Resolution” means the resolution adopted by the Agency on October 19, 2010 authorizing the issuance of the Series 2010B Bonds and Series 2010C Bonds.

“Bonds” means, with respect to the Facilities Agreement, any indebtedness issued by the Agency the proceeds of which are used to pay any of the costs of acquiring, constructing, equipping or furnishing any of the Projects, authorized to be issued by a Resolution of the Agency and any indebtedness of the Agency issued to refund, directly or indirectly, any Bonds; and means, with respect to the Resolution, the Series 2010B Bonds and the Series 2010C Bonds.

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

“Build America Bonds” means a series of Bonds issued as taxable “build America bonds” pursuant to Section 54AA of the Code.

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

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

“City” means The City of Lincoln, Nebraska.

“Clerk” means the Clerk of the City.

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

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

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

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

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

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

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

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

“2010B Debt Service Account” means the account by that name in the Debt Service Fund, in which there shall be established such subaccounts as shall be determined by the Finance Director.

“2010C Debt Service Account” means the account by that name in the Debt Service Fund, in which there shall be established such subaccounts as shall be determined by the Finance Director.

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

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

“Defeasance Obligations” means any of the following obligations:

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

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

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

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

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

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

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

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

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

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

“Facilities Agreement” means the Facilities Agreement, dated the date of its execution and delivery, and as amended from time to time in accordance with its terms, between the City and the Agency, governing the acquisition, construction, equipping, furnishing, operation and management of the Projects, and the collection, deposit and application of the Revenues.

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

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

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

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

“Interest Payment Date” means June 15 and December 15 of each year beginning June 15, 2011.

“JPA Agreement” means the Joint Public Agency Agreement Creating the West Haymarket Joint Public Agency, dated as of April 1, 2010, between the City and the Regents, as amended from time to time.

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

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

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

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

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

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

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

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

“Project” means any one of the Projects.

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

“Recovery Zone Economic Development Bonds” means a series of Bonds issued as taxable “recovery zone economic development bonds” under Sections 54AA and 1400U-2 of the Code.

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

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

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

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

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

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

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

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

“West Haymarket Facilities” means the Projects defined to include the West Haymarket Facilities in **Exhibit A** to the Facilities Agreement as it may be amended and supplemented from time to time, and at the

date of the Official Statement includes the following: (a) the Arena, (b) roads, streets and sidewalks, (c) a pedestrian overpass, (d) public plaza space, (e) sanitary sewer mains, (f) water mains, (g) electric transmission lines, (h) drainage systems, (i) flood control, (j) parking garages and (k) surface parking lots.

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

JPA AGREEMENT

Creation

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

Purpose

The purposes of the Agency are as follows:

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

(b) To exercise any power, privilege or authority to facilitate land acquisition, relocation of existing businesses, environmental remediation, site preparation and the construction, equipping, furnishing and financing public facilities, including but not limited to a sports/entertainment arena, roads, streets, sidewalks, pedestrian overpass, public plaza space, sanitary sewer mains, water mains, electric transmission lines, drainage systems, flood control, parking garages and surface parking lots and any other capital improvements or other projects pertaining to the redevelopment of the West Haymarket Redevelopment Area as shall be determined by the Board to be necessary, desirable, advisable or in the best interests of the Participants in the manner and as provided for by the Act. The West Haymarket Redevelopment Area is an area generally bounded by BNSF and Union Pacific railroad lines on the west, approximately North 7th Street on the east, the south interior roadway of Haymarket Park and Bereuter Pedestrian Bridge on the north and “M” Street on the south.

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

(d) To sell, lease or otherwise dispose of excess land not needed for the Projects to the City, Regents or private entities for redevelopment of the City’s West Haymarket Redevelopment Area and, in particular, a proposed mixed use redevelopment project consisting of a multi-story, 200-250 room hotel,

including some first floor rental space and one or more buildings containing approximately 100,000 square feet of residential space, 100,000 square feet of office space, and 100,000 square feet of retail space.

Organization

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

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

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

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

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

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

Duration

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

Powers

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

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

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

(c) subject to any agreements with holders of outstanding bonds, to invest any funds held in reserve or sinking funds, or any funds not required for immediate disbursement, including the

proceeds from the sale of any bonds, in such obligations, securities, and other investments as the Board shall deem proper;

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

(e) to levy taxes upon the taxable property in the City pursuant to Sections 13-2507 and 77-3443, Reissue Revised Statutes of Nebraska, as amended, to the extent that the authority to levy taxes is expressly and specifically assigned and allocated to the Agency by a Participant in the JPA Agreement; and

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

Issuance of Bonds

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

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

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

Levy Authority

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

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

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

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

Acquiring and Holding Property

The Board may lease, purchase or acquire by any means, from a Participant or from any other source, such real and personal property as is required for the operation of the Agency and for carrying out the purposes hereof. The title to all such property, personal or real, needed for the West Haymarket Facilities shall be held in the name of the Agency for so long as any Agency Bonds shall remain outstanding. The Agency shall convey all of its interest in the Projects to the City at such time as no Agency Bonds remain outstanding. The Agency shall comply with the applicable bidding procedures of the County Purchasing Act, Section 23-3111, Reissue Revised Statutes of Nebraska, as amended. The City shall perform the functions of the purchasing agent designated therein.

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

Budget

The Board shall prepare a budget based on a fiscal year coinciding with the fiscal year of the City, for the operation of the Agency. The budget of the Agency shall be established as provided in the Nebraska Budget Act (Chapter 13, Article 5, Reissue Revised Statutes of Nebraska, as amended) and presented to the City Council prior to the Agency's levy certification. The Agency shall cause to be conducted annually an audit conducted by a private qualified auditing business. The resulting audit report shall be delivered to the Agency and the governing body of each Participant.

Withdrawal

If the governing body of a Participant adopts a resolution setting forth the determination that the need for the Agency no longer exists, the Participant shall be permitted to withdraw from participation in the Agency, but withdrawal shall not affect the obligations of the withdrawing Participant pursuant to the JPA Agreement or any other agreements with the Agency. Withdrawal shall not impair or adversely affect the levy of taxes by the Agency or receipt of revenues for, or the payment of, any outstanding bonds or indebtedness or the interest thereon.

Dissolution

The Agency shall not be dissolved so long as any Agency Bonds are outstanding under the instrument pursuant to which they were issued. Upon dissolution of the Agency, provided the City continues to have the responsibility for the Projects, all interest in the land, capital improvements, personal property and all other assets of the Agency used in the operation of the Projects financed by the Agency Bonds remaining in the Agency shall be transferred to the City.

Amendment

The JPA Agreement may be amended in writing signed by all the Participants, provided however, that no amendment may be made limiting the duty of the Agency or the Participants created herein to levy and collect taxes for the payment of any Agency Bonds. Any amendment to the JPA Agreement must first be approved by resolution of the governing body of each Participant. The amended and restated Agreement shall be filed with the Nebraska Secretary of State.

FACILITIES AGREEMENT

Provision of Facilities

The Agency agrees that it will acquire title to the Site and acquire, construct, equip and furnish all of the Projects for the City on the Site and in accordance with final plans and specifications to be approved by the City.

The Agency appoints the City as its agent for purposes of acquiring, constructing, equipping and furnishing each Project. The City shall, upon completion of the final plans and specifications, proceed to take bids and award contracts in compliance with the bidding procedures of the County Purchasing Act to the extent required to complete each Project. Contracts for the acquisition, construction, equipping and furnishing of each Project shall be entered into in the name of the Agency.

The City acknowledges that the costs of constructing, equipping and furnishing the Projects may exceed the amount of money to be deposited in the Construction Fund, which fund contains and will contain money only from the proceeds of sale of the Bonds issued by the Agency. The City currently anticipates that it will have on hand funds sufficient to make up any difference between the cost for completing the acquisition, construction, equipping and furnishing of the Projects and the money in the Construction Fund. The City agrees that it shall pay from its own funds any amounts necessary to make up any difference between the total amount of such estimated cost and the money in the Construction Fund.

The City agrees that any contractor which provides work on any Project shall provide performance and payment bonds and builders' risk insurance, all as specified in the Facilities Agreement.

The City, acting as the Agency's agent, is hereby granted the right to make change orders in the work contemplated by any construction contract, but the Agency shall not be obligated to pay for any work, whether by change order or otherwise, in excess of the amount of funds in the Construction Fund.

The ownership of, in and to the tangible portions of the Arena Project acquired pursuant to the Facilities Agreement, including any and all improvements and other property, shall vest in the Agency for so long as any Bonds remain outstanding. The Agency shall not transfer, encumber or sell the Arena Project or any portion thereof without the approval of the City. At such time as no Bonds remain outstanding, the Agency shall convey the Arena Project to the City for the sum of \$1.00 and other good and valuable consideration.

Upon completion of the acquisition, construction, equipping and furnishing of each Project, the City shall furnish to the Agency a complete description of all property, both real and personal, covered by the Facilities Agreement.

Payment of Costs of Construction

The City and the Agency agree that all Costs of Construction shall be paid out of the Construction Fund or other available funds of the City. Disbursement requisitions to any contractor or vendor to be paid from the appropriate accounts and/or subaccounts in the Construction Fund for Costs of Construction of each Project or to any provider of equipment and furnishings, including the final requisition, shall be approved by the City and the Agency. Requisition approvals by the Agency shall be evidenced by the Chair of the Agency and the Agency Treasurer pursuant to Section 13-2527(1), Reissue Revised Statutes of Nebraska, as amended.

Certificate of Acceptance

Upon completion of any Project and acceptance thereof by the City, the fact of such completion and acceptance shall be evidenced by a Certificate of Completion signed by the Mayor of the City. Upon completion and acceptance of such Project together with all other Projects, the costs of which are to be paid from such account in the Construction Fund, any amount remaining in such account in the Construction Fund after payment of all costs of completion of such Project and all other Projects the costs of which are to be paid from such account in the Construction Fund, shall be transferred to the Debt Service Fund and applied to the payment of debt service on the applicable Bonds.

Dispute Resolution

Any dispute with any contractor concerning the construction of a Project or interpretation of any contract shall be adjusted and settled by the City, and the City shall be liable and make payment to such contractor and all other persons for any judgment, claim or liability in connection with a Project in excess of the money in the Construction Fund.

Issuance of Bonds; Debt Service

To pay the Costs of Construction of one or more Projects and the costs of issuance thereof, the Agency agrees to issue Bonds pursuant to one or more Resolutions and to deposit the proceeds thereof as provided in the Resolution authorizing such series of Bonds.

The City and the Agency covenant and agree that all payments of the principal or redemption price of and interest on the Bonds shall be made from the Revenues and the proceeds of the tax levied by the Agency by authority granted to the Agency pursuant to the JPA Agreement.

Dedication of Infrastructure Project to the City; Improvements

The Agency will transfer or dedicate each tangible portion of each Infrastructure Project to the City as and when completed to be maintained, operated and managed as City facilities and the Agency shall execute and deliver to the City any and all documents as may be requested by the City for such purpose. Prior to the completion of construction of any portion of any Infrastructure Project, the City shall provide all necessary personnel to design, engineer, construct and complete such Infrastructure Project in the same manner as comparable City facilities. The Director of Public Works of the City is hereby designated as the chief official responsible for the design, engineering, construction and completion of the Infrastructure Project. All City personnel assisting with the designing, engineering, construction or completion of the Infrastructure Project shall be and will remain employees of the City for purposes of all state and federal laws governing the conditions of their employment, including payment of wages, employment benefits, insurance, liability and taxation of income.

Any improvements to the Infrastructure Project may be made from time to time as determined by the City to be necessary, desirable or advisable (the “**Infrastructure Improvements**”) and which are included as a part of the capital improvement program included in the City’s capital improvement budget and approved by the City. The City shall contract for work on such Infrastructure Improvements with contracts to be awarded and entered into pursuant to City bidding procedures. All costs of such Infrastructure Improvements may be paid by the City or, with the agreement of the Agency, may be paid by the Agency from Agency funds available for such purposes, including, without limitation, the Infrastructure Account in the Surplus Fund established under the Facilities Agreement.

City to Maintain, Operate and Manage the Arena Project

The City undertakes to maintain, operate and manage the Arena Project. In such connection the following terms shall apply:

(a) The City shall provide or contract for all necessary personnel, materials and supplies to maintain, operate and manage the Arena Project as an entertainment/sports arena and related facilities. Except for Qualified Use Agreements (as defined in the Compliance Procedure), the City will not enter into any lease or contract with respect to the use, operation or management of the Arena without first obtaining a Special Tax Opinion (as defined in the Compliance Procedure). All City personnel assisting with the operation of the Arena Project shall be and will remain employees of the City for purposes of all state and federal laws governing the conditions of their employment, including payment of wages, employment benefits, insurance, liability and taxation of income.

(b) Any improvements to the Arena Project may be made from time to time as determined by the City to be necessary, desirable or advisable (the “**Arena Improvements**”). The Agency shall contract for work on such Arena Improvements with contracts to be awarded and entered into pursuant to the County Purchasing Act, Section 23-3111, Reissue Revised Statutes of Nebraska, as amended. All costs of such Arena Improvements shall be paid by the Agency from Agency funds available for such purposes, including, without limitation, the Arena Account in the Surplus Fund.

(c) The City shall establish rates, fees and charges which are to apply to the use of the Arena Project and shall adjust such rates, fees and charges from time to time as it deems appropriate, just and equitable. The City shall annually, or at such other intervals as the City deems appropriate, submit a report to the Agency detailing the proposed rates, projected revenues based on the same and the proposed expenses.

(d) The Agency shall pay to the City the fees and charges, based upon actual costs and budgeted annually, as the same shall be amended from time to time.

(e) In exercising its authority and carrying out its duties and functions the City shall not discriminate against any employee, applicant for employment, contractor, potential contractor, or any individual or entity on the basis of race, religion, color, sex, national origin, disability, age, marital status, or any other basis prohibited by law.

Insurance

The City, on behalf of the Agency, shall maintain, or cause to be maintained, insurance upon the Facilities and the operation thereof as follows:

(a) insurance against fire, theft and extended coverage risks (including vandalism and malicious mischief) in an amount not less than the full insurable value of the Arena Project.

(b) general public liability insurance against claims for bodily injury, death or property damage occurring on, in or about the Facilities with limits of not less than \$1,000,000 for any person for any number of claims arising out of a single occurrence, \$5,000,000 for all claims arising from a single occurrence, and any greater limits of liability which may be established by Section 13-926, Reissue Revised Statutes of Nebraska, as amended, or any other applicable provision of the Nebraska Political Subdivision Tort Claims Act (the “**Tort Claims Act**”), and excess insurance with limits of not less than \$2,000,000 dollars for any liability which may not be limited by the Act. Such general public liability insurance may be subject to a deductible amount not in excess of \$500,000.

(c) workers’ compensation insurance coverage as required by the laws of the State of Nebraska.

(d) performance bond coverage and labor and materials payment bond coverage for the construction of the Improvements in the full amount of the contract or contracts for construction of the Improvements.

All such insurance shall show the City and the Agency as insureds as their respective interests may appear. Insurance required in (a) and (d) above shall be payable to the Agency. The cost of any and all such insurance shall be treated as a cost of operation and maintenance of the Projects and shall be paid out of the Operation and Maintenance Fund established hereunder.

Utilities and Other Impositions

The City shall provide for the payment of all utility charges, taxes (if any) and other impositions with respect to the Arena Project or the operation thereof and all such charges or impositions shall be treated as a cost of operation and maintenance of the Arena Project and be paid from the Operation and Maintenance Fund, or if the balance thereof is insufficient for such purposes, by the City. Because the Projects will be used for governmental purposes and not for financial gain or profit, under present law the Projects will not be subject to real estate or personal property taxes. It is understood and agreed, however, that the City agrees to pay any taxes and assessments, general and special, and all other impositions, ordinary and extraordinary, of every kind and nature which might be levied or assessed on the Projects and any improvements hereafter constructed.

Use of Projects

As long as any Bonds remain outstanding, the proceeds of which were used to acquire, construct, equip, or furnish any of the Projects, the City shall not use any of the Projects, or allow the use thereof, in any manner inconsistent with use for the general municipal purposes of the Agency or the City.

Issuance of Bonds; Debt Service

To pay the Costs of Construction of one or more Projects and the costs of issuance thereof, the Agency agrees to issue Bonds pursuant to one or more Resolutions and to deposit the proceeds thereof as provided in the Resolution authorizing such series of Bonds.

The City and the Agency covenant and agree that all payments of the principal or redemption price of and interest on the Bonds shall be made from Revenues, together with the proceeds of the tax levied by the Agency by authority granted to the Agency pursuant to the JPA Agreement and any other available funds of the Agency.

Establishment of Funds

The Facilities Agreement establishes the following separate funds to be held by the City Treasurer as agent for the Agency:

(a) the West Haymarket Joint Public Agency Revenue Fund (the “**Revenue Fund**”) in which there is established (1) a General Account and (2) a Private Account.

(b) the West Haymarket Joint Public Agency Operation and Maintenance Fund (the “**Operation and Maintenance Fund**”).

(c) the West Haymarket Joint Public Agency Depreciation and Replacement Fund (the “**Depreciation and Replacement Fund**”).

(d) the West Haymarket Joint Public Agency Surplus Fund (the “**Surplus Fund**”) in which there is established (1) an Arena Account and (2) an Infrastructure Account.

The funds referred to in paragraphs (a) through (d) above shall be maintained and administered by the Agency and the City solely for the purposes and in the manner as provided in the Facilities Agreement so long as any Bonds remain outstanding within the meaning of the Resolution pursuant to which such Bonds were issued.

In addition, each Resolution shall establish a Debt Service Fund and any necessary or desirable accounts and subaccounts therein, and to the extent that proceeds of the Bonds authorized by such Resolution will be used to pay the Costs of Construction of any portion of any Project, shall establish a Construction Fund and any necessary or desirable accounts and subaccount therein in accordance with the provisions of the Facilities Agreement.

Collection and Application of Revenues

The City and the Agency covenant and agree that from and after the delivery of any Bonds, and continuing as long as any Bonds remain outstanding under the Resolution pursuant to which they were issued, all of the Revenues shall as and when received be paid and deposited into the Revenue Fund. The City and the Agency shall deposit Revenues into the General Account and the Private Account in accordance with the Compliance Plan. The Revenues shall be segregated and kept separate and apart from all other moneys, revenues, funds and accounts of the Agency and the City and shall not be commingled with any other moneys, revenues, funds and accounts of the Agency or the City. The Revenue Fund shall be administered and applied solely for the purposes and in the manner provided in the Facilities Agreement.

Application of Money in Funds

(a) The City and the Agency covenant and agree that from and after the delivery of any Bonds and continuing so long as any Bonds shall remain outstanding under the Resolution pursuant to which such Bonds were issued, it will on the first day of each month administer and allocate all of the money then held in the General Account in the Revenue Fund as follows:

(1) ***Debt Service Fund.*** There shall first be paid and credited monthly to each Debt Service Fund established pursuant to a Resolution, all Revenues collected in the preceding month until the balance in such fund is equal to all principal and interest payments becoming due through the following December 15 on all Bonds then outstanding under the Resolution pursuant to which they were issued.

(2) ***Operation and Maintenance Fund.*** There shall next be paid and credited to the Operation and Maintenance Fund an amount equal to the Operational Increment for the current fiscal year of the Agency. All amounts paid and credited to the Operation and Maintenance Fund shall be expended and used by the City, as agent for the Agency, solely for the purpose of paying the operating expenses of the Arena Project to the extent revenues received by the Arena Manager are insufficient for such purposes.

(3) ***Depreciation and Replacement Fund.*** After all payments and credits required at the time to be made under the provisions of paragraphs (1) and (2) above have been made, there shall next be paid and credited to the Depreciation and Replacement Fund all amounts remaining in the General Account in the Revenue Fund until such Fund aggregates the Depreciation Fund Requirement so long as any of the Bonds remain Outstanding.

Money in the Depreciation and Replacement Fund shall be expended and used by the Agency and the City, if no other funds are available therefor, (A) for the purpose of making emergency replacements and repairs in and to the Arena Project as may be necessary to keep the Arena Project in good repair and working order and to assure the continued effective and efficient operation thereof and (B) to pay the Operational Increment, to the extent that Revenues are insufficient for such purpose. After the Depreciation and Replacement Fund aggregates the Depreciation Fund Requirement, no further payments into said Fund shall be required, but if the Agency or the City is ever required to expend a part of the money in the Depreciation and Replacement Fund for its authorized purposes and such expenditure reduces the amount of such Fund below the Depreciation Fund Requirement, then monthly payments into the Depreciation and Replacement Funds shall resume and continue until said Fund again aggregates the Depreciation Fund Requirement.

(4) ***Surplus Fund.*** After all payments and credits required at the time to be made under the provisions of the foregoing paragraphs (a)(1), (2) and (3) have been made, all moneys remaining in the General Account in the Revenue Fund shall be paid and credited to either the Arena Account or the Infrastructure Account in the Surplus Fund, as determined by the City and the Agency. Money in the Arena Account of the Surplus Fund may be expended and used for the following purposes as determined by the City and the Agency:

(A) Paying all or a portion of the costs of one or more Projects in accordance with the plans and specifications therefor prepared by the Agency's architects approved by the City and the Agency and on file in the office of the Secretary, including any alterations in or amendments to such plans and specifications deemed advisable by the Agency's architects and approved by the City and the Agency.

The Treasurer shall make a withdrawal from the Infrastructure Account in the Surplus Fund for such purpose only upon a duly authorized and executed order of the Agency accompanied by a certificate executed by the Agency's architects stating that such payment is being made for a purpose within the scope of the Facilities Agreement and that the amount of such payment represents only the contract price of the property, equipment, labor, materials or service being paid for or, if such payment is not being made pursuant to an express contract, that such payment is not in excess of the reasonable value thereof.

(B) Paying the cost of the operation, maintenance and repair of any of the Projects to the extent that may be necessary after the application of the moneys held in the Operation and Maintenance Fund;

(C) Paying the cost of extending, enlarging or improving any of the Projects;

(D) Paying the principal of and interest on the Bonds or calling, redeeming and paying prior to the maturity thereof, or, at the option of the Agency, purchasing in the open market at the best price obtainable not exceeding the redemption price (if any bonds are callable) any outstanding Bonds including principal, interest and redemption premium, if any; and

(E) Any other lawful purpose in connection with the operation of any of the Projects and benefiting any of the Projects.

(b) In the event that 45 days prior to the payment date of any principal or interest on the Bonds, amounts in the Debt Service Fund are insufficient to fully pay the principal of or interest on all outstanding Bonds, the City shall loan to the Agency the full amount of any such deficiency not later than such date of payment. Such loan shall bear interest at a rate equal to the rate received by the City on its investment pool (computed on the basis of a 360-day year consisting of twelve 30-day months) from the date such amounts are loaned to the Agency until all such amounts are repaid by the Agency. Any such loan, together with interest accrued thereon as provided herein, shall be repaid to the City (i) first, from the first receipts of Revenues, and (ii) second, from taxes levied and collected by the Agency.

Transfer of Funds to Paying Agent

The Treasurer of the Agency is hereby authorized and directed to withdraw from the Debt Service Fund sums sufficient to pay the principal of and interest on the Bonds as and when the same become due on any principal or interest payment date, and to forward such sums to the respective paying agents for each series of Bonds in a manner which ensures such paying agent will have available funds in such amounts on or before the business day immediately preceding each such payment date. All money deposited with any paying agent shall be deemed to be deposited in accordance with and subject to all of the provisions contained in the Facilities Agreement and the applicable Resolution.

Annual Budget; Levy of Taxes

Prior to the commencement of each fiscal year, the Agency will cause to be prepared and filed with its Secretary and the Clerk a budget setting forth the estimated receipts and expenditures for each month in the next succeeding fiscal year. Such annual budget shall be prepared in accordance with the requirements of the laws of Nebraska and shall contain all information that is required by such laws.

The Treasurer shall, not later than the last day of each month, prepare, file with the Secretary and the City Clerk, and forward to each member of the governing body, a financial report which includes the financial statements for the preceding month and the results for the fiscal year through the end of the preceding month. If, at the end of any fiscal quarter, such financial statements show that the budgeted Available Revenues would exceed the projected actual Available Revenues at the end of the fiscal year by more than \$500,000, the Agency covenants and agrees that within 60 days of such determination it will deliver a Consultant's Report to the Participants setting forth recommendations for increasing the Available Revenues to the budgeted levels; provided, however, that in the event that such Consultant's Report shall state that federal, state or other applicable governmental laws or regulations (or interpretations thereof) placing restrictions and limitations on the rates, fees and charges to be fixed, charged and collected for the use of or the services furnished by the Arena Project do not permit or by their application make it impracticable for the Agency to produce the required Available Revenues, then the budgeted Available Revenues shall be reduced to the highest practicable level permitted, as set forth in such Consultant's Report, by such laws and regulations then in effect. The Agency agrees that it will, to the extent feasible, follow the recommendations of the Consultant's Report.

The Agency covenants and agrees that for so long as any Bonds are outstanding under the Resolution pursuant to which such Bonds were issued, it will deliver to the Participants a Consultant's Report regarding the operation, maintenance and financial performance of the Arena Project for the fiscal years ending August 31, 2017, and every fifth fiscal year thereafter.

In the event that the budgeted Available Revenues for the fiscal year exceeds the projected actual Available Revenues for such fiscal year by \$1,000,000 or more, the Agency covenants and agrees that it shall in its next annual budget prepared pursuant to the Facilities Agreement, include an amount to be levied upon all of the taxable property within the City sufficient in rate and amount to produce the amounts necessary to make up such deficiency in the actual net income, together with any anticipated additional deficiency in the actual net income through the end of the next fiscal year.

The taxes referred to above shall be extended upon the tax rolls in each of the several years, respectively, and shall be levied and collected at the same time and in the same manner as the other ad valorem taxes of the Agency or the City are levied and collected. The proceeds derived from such taxes shall be used to repay any and all amounts advanced by the City pursuant to its obligation under the Facilities Agreement to loan to the Agency the full amount of any deficiency in the Debt Service Fund, shall be kept separate and apart from all other funds of the Agency and shall be used solely for the payment of amounts advanced by the City.

Annual Financial Audit

Annually, promptly after the end of the fiscal year, the Agency will cause a financial audit to be made of the Arena Project for the preceding fiscal year by a nationally recognized independent certified public accountant or firm of nationally recognized independent certified public accountants to be employed for that purpose and paid from the Revenues.

Within 30 days after the completion of each such audit, a copy thereof shall be filed in the office of the Secretary, and a duplicate copy of the audit shall be mailed to the City Clerk. Such audits shall at all times during the usual business hours be open to the examination and inspection by any taxpayer, the registered owner of any of the Bonds, or by anyone acting for or on behalf of such taxpayer or registered owner.

As soon as possible after the completion of the annual audit, the governing body of the Agency shall review such audit, and if the audit discloses that proper provision has not been made for all of the requirements of the Facilities Agreement or any Resolution, the Agency will promptly cure such deficiency and the City and the Agency will promptly proceed to take such action as may be necessary to adequately provide for such requirements.

Term of Agreement

The Facilities Agreement shall not terminate so long as Bonds remain outstanding under the terms of the Resolution authorizing their issuance. Either the City or the Agency may terminate the Facilities Agreement at any time after all of Bonds are no longer outstanding under the terms of the Resolution authorizing their issuance.

Amendment

The Facilities Agreement may be amended in writing upon the approval of both parties.

BOND RESOLUTION

Security for and Payment of Bonds

The Bonds shall be general obligations of the Agency payable as to both principal and interest from the General Account in the Revenue Fund, and to the extent such revenues are insufficient, from ad valorem taxes which may be levied upon all the taxable property in the City as provided in the following paragraph. The full faith, credit and resources of the Agency are hereby irrevocably pledged for the prompt payment of the principal of and interest on the Bonds as the same become due.

Pursuant to the JPA Agreement, the City has assigned and allocated to the Agency its authority to levy ad valorem property taxes for the purposes of paying the principal or redemption price of and interest on the Bonds. Pursuant to the Facilities Agreement, the Agency shall (a) collect all Revenues and (b) if an Agency Bond Levy is to be made for the following tax year, include in its next "proposed budget statement" (as defined in Section 13-504 of the Budget Act) the amount required by the Facilities Agreement to be raised from the Agency Bond Levy for the following tax year and shall levy upon all of the taxable property within the City the Agency Bond Levy, in addition to all other taxes, sufficient in rate and amount to reimburse the City all amounts advanced by the City pursuant to the Facilities Agreement, the Agency hereby pledging such levy of taxes for such purpose.

The taxes referred to above shall be budgeted by the Agency in each of the several years, respectively, and shall be levied and collected at the same time and in the same manner as ad valorem taxes of the City are levied and collected. The proceeds derived from such taxes shall be used to reimburse the City for any loan to the Agency by the City under the Facilities Agreement.

Establishment of Funds; Deposit and Application of Money

The Resolution establishes a 2010B Construction Account and a 2010C Construction Account in the Construction Fund created in the Facilities Agreement; a 2010B Debt Service Account, and the 2010B Capitalized Interest Account therein; a 2010C Debt Service Account, and the 2010C Capitalized Interest Account therein; and the Rebate Fund.

The net proceeds received from the sale of the Bonds shall be deposited simultaneously with the delivery of the Bonds as follows:

(a) All accrued interest received from the sale of the Series 2010B Bonds shall be deposited in the 2010B Debt Service Account. All Accrued interest received from the sale of the Series 2010C Bonds shall be deposited in the 2010C Debt Service Account.

(b) An amount sufficient to pay the interest accruing and falling due on the Series 2010B Bonds through and including June 15, 2011 shall be deposited in the 2010B Capitalized Interest Account. An amount sufficient to pay the interest accruing and falling due on the Series 2010C Bonds through and including June 15, 2011 shall be deposited in the 2010C Capitalized Interest Account.

(c) Proceeds of the Bonds shall be deposited into such accounts or subaccounts as may be established by the Finance Director under the Resolution in the amounts determined by the Finance Director.

(d) The proceeds of the Series 2010B Bonds which remain after the deposits required by the paragraphs described above have been made shall be deposited in the 2010B Construction Account. The proceeds of the Series 2010C Bonds which remain after the deposits required by the paragraphs described above have been made shall be deposited in the 2010C Construction Account.

The Revenues shall be deposited, held and applied as provided in the Facilities Agreement.

Money in the 2010B Construction Account and the 2010C Construction Account shall be used by the Agency solely for the purpose of (1) paying all or a portion of the costs of one or more Projects in accordance with the plans and specifications therefor prepared by the Agency's architects approved by the City and the Agency and on file in the office of the Secretary, including any alterations in or amendments to such plans and specifications deemed advisable by the Agency's architects and approved by the City and the Agency, and (2) if appropriate, paying the costs and expenses of issuing the Bonds.

The Treasurer shall make a withdrawal from the 2010B Construction Account or the 2010C Construction Account only upon a duly authorized and executed order of the Agency accompanied by a certificate executed by the Agency's architects stating that such payment is being made for a purpose within the scope of the Resolution and that the amount of such payment represents only the contract price of the property, equipment, labor, materials or service being paid for or, if such payment is not being made pursuant to an express contract, that such payment is not in excess of the reasonable value thereof. Nothing in the Resolution shall prevent the payment out of the 2010B Construction Account or another subaccount in the 2010B Construction Account of all costs and expenses incident to the issuance of the Series 2010B Bonds, or the payment out of the 2010C Construction Account or another subaccount in the 2010C Construction Account of all costs and expenses incident to the issuance of the Series 2010C Bonds without a certificate from the Agency's architects.

On the date on which the construction of all of the Projects or a portion of the costs of which have been paid from the proceeds of the Bonds has been completed (the "**Completion Date**") as certified by the Agency's architects, any surplus remaining in any fund or account in the 2010B Construction Account shall be transferred to and deposited in the 2010B Debt Service Account in the Debt Service Fund and any surplus remaining in any fund or account in the 2010C Construction Account shall be transferred to and deposited in the 2010C Debt Service Account in the Debt Service Fund.

The Agency shall make deposits into the 2010B Debt Service Account and the 2010C Debt Service Account in the Debt Service Fund as provided in the Facilities Agreement.

Any money or investments remaining in the Debt Service Fund after the retirement of the indebtedness for which the Bonds were issued and all other indebtedness of the Agency shall be transferred and paid to the City.

All money at any time deposited in the Rebate Fund shall be held in trust, to the extent required to satisfy the requirements of the Code, for payment to the United States of America, and neither the Agency nor the Registered Owner of any Bonds shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this and the Tax Agreement. Any money remaining in the Rebate Fund after redemption and payment of all of the Bonds and payment and satisfaction of any Rebate Amount, or provision made therefor, shall be released to the Agency.

Miscellaneous Provisions

The Agency's obligations under the Resolution as to any Bond shall be discharged if such Bond has been paid or if there has been deposited with the Paying Agent, or other commercial bank or trust company having full trust powers, at or prior to the Stated Maturity or Redemption Date of such Bonds, in trust for and irrevocably appropriated thereto, money and/or Defeasance Obligations which, together with the interest to be earned on any such Defeasance Obligations, will be sufficient for the payment of the principal of such Bonds and/or interest accrued to the Stated Maturity or Redemption Date, or if default in such payment has occurred on such date, then to the date of the tender of such payments, provided, however, that if any such Bonds are to be redeemed prior to their Stated Maturity, (a) the Agency has elected to redeem such Bonds, and (b) either notice of such redemption has been given, or the Agency has given irrevocable instructions, or shall have provided for an escrow agent to give irrevocable instructions, to the Paying Agent to give such notice of redemption.

The Resolution provides that it may be amended by the Agency without the consent of any Registered Owners for the purpose of curing any formal defect, omission, inconsistency or ambiguity therein or in connection with any other change therein which is not materially adverse to the interests of the Registered Owners. It may also be amended in any respect by the Registered Owners of a majority in aggregate principal amount of the Bonds then Outstanding, except that amendments as to extension of maturity of principal or interest, reductions in the amount of principal or interest which the Agency is required to pay, permitting preference or priority of any Bond over any other Bond, or reducing the percentage in principal amount of Bonds required to consent to modification of the Resolution must be approved by the Registered Owners of all Bonds then Outstanding.

In the event that any provisions of the Resolution are inconsistent with the Facilities Agreement, the provisions of the Facilities Agreement shall govern.

MEMORANDUM OF UNDERSTANDING

General

The City and University executed the MOU to set forth the understandings of the City and the Regents with respect to construction of the Arena on the Arena Site utilizing the JPA for financing and other financial agreements related to premium seating, and the subsequent lease of the Leased Improvements to Athletics for the use of its Basketball Teams. For purposes of the MOU, the following terms have the meanings set forth below.

"Athletics" means the University of Nebraska- Lincoln Department of Intercollegiate Athletics.

"Basketball Space" means the basketball court, training rooms, locker rooms, fiber optic connection to the Husker Vision control room in Memorial Stadium, seating, Arena signage, center-hung and other scoreboards, concessions facilities, and operations facilities customarily associated with an NCAA Division I basketball program.

"Basketball Teams" means the UNL men's and women's varsity basketball teams.

"Home Games" means the home games of the Basketball Teams.

"Leased Improvements" shall mean the Basketball Space and the basketball related parking spaces provided in the Arena parking improvements.

“Lease/Operating Agreement” or, alternately, **“Operating Agreement”** means the lease and operating agreement governing Athletics’ use of the Arena.

“NCAA” means the National Collegiate Athletic Association.

“University” means the Regents.

Arena Site Acquisition, Design, and Construction

The City will proceed with due diligence after the May 2010 election to acquire the Arena site and to perform site preparation work. The Arena will be constructed by the City or JPA and financed through the JPA.

Athletics and the City intend to work together in all aspects of the design, development and construction of the Arena and in particular, the Basketball Space. Athletics will be given an opportunity to have representatives present at meetings and briefings with the City’s design and construction professionals with the intent being that Athletics is entitled to full disclosure of and participation in the process for the design and construction of the Arena. At a minimum, the Basketball Space shall consist of the following:

Basketball Court. The basketball court shall consist of a portable basketball playing surface with all customary related items including, without limitation, state-of-the-art basketball goals, back-up basketball goals, nets, lines and striping, timekeeper’s tables, scorekeeper’s tables, adequate signs and markers, home and visiting team benches, tables and chairs, adequate lighting, communications systems, telephone hook-up from each team’s bench on floor level to coaches and assistant coaches, radio and television booths;

Training room, provided that Athletics will outfit the room with needed equipment at Athletics’ own cost and expense;

Locker rooms. Two locker rooms for the exclusive use of the Men’s and Women’s Basketball Teams shall be provided. Two additional locker rooms for Visitor Teams, one locker room for officials, and one locker room for cheer squads shall be provided. Fit out in excess of that provided in the locker rooms for visitor teams will be paid for by Athletics at its own cost and expense;

Fiber Optic Connection to Husker Vision. The City will install or cause to be installed a 48-strand fiber optic cable from the new Arena to Memorial Stadium’s Husker Vision control room; and

Seating. The seating shall include suites, loge seating, club seating and floor seating.

The City agrees to work together with Athletics to locate, design and build the Arena seating, including the number of suites, loge seating, club seating, and floor seating; media work area; the press box area; the studio and production area; interview room; hospitality rooms, and any other area reasonably necessary to carry out the Home Games. The plans and specifications for the Arena will be prepared at the direction of the City subject to approval of Athletics; such approval not to be unreasonably withheld or delayed and to be limited in scope to confirming that the Arena will fulfill Athletics’ needs and that it can be constructed within the approved time schedule.

Parking

The Arena Parking Improvements will be constructed in accordance with the approved drawings and specifications and construction documents. The Arena parking improvements are envisioned to contain approximately 550 parking spaces in the Arena parking garage, approximately 60 parking spaces in the Arena surface parking, and approximately 1,500 parking spaces in the northwest Arena parking lot. The City will provide or cause to be provided to Athletics a reasonable number of up to 100 parking spaces in the Arena parking improvements, approximately 40 of which will be in the Arena surface parking for student-athletes, coaching staff, support staff, and officials for all Home Games, practice and other Athletics sponsored intercollegiate athletic events at no cost in accordance with the applicable NCAA requirements.

Completion Date

It is the intent of the City and University that the Arena and the Arena Parking Improvements be completed and available for use by September 1, 2013. The parties agree that timely completion of the Leased Improvements in the Arena is critically important and that any anticipated delays or other circumstances jeopardizing the intended completion date shall be timely provided to the other party as soon as practical so that any preventive or remedial measures can be reasonably deployed.

Lease/Operating Agreement

Athletics agrees to lease from the City the Leased Improvements for Home Games and other incidental uses by the Basketball Teams on the terms set forth below:

Term. Athletics' Lease of the Leased Improvements will have an initial term of thirty (30) years which is anticipated to begin on September 1, 2013, with the actual usage dates of the Leased Improvements to be determined on an annual basis. At the end of the initial term and each successive extension, the University will have the right to extend the term for three (3) additional five-year periods. The initial term together with any extensions is referred to in the MOU as the "**Lease Term.**" The parties agree that the Lease/Operating Agreement shall include provisions for a funded capital replacement/enhancement program.

Use by Athletics. During the Lease Term, the Basketball Teams shall be considered the Arena's primary tenant and as such Athletics shall be accorded the privilege of securing the dates it needs for all pre-season and regular season Home Games of the Basketball Teams between October 1 and March 15 ("**Basketball Season**") of each year of the Lease Term before any dates within the Basketball Season are offered to any other entity. Athletics shall also be accorded the privilege of securing the date before each Home Game for practice by the Basketball Teams and visiting teams. Athletics will use its best efforts to play a minimum of 30 Home Games (15 men's and 15 women's) in the Arena during each Basketball Season. During the Basketball Season, Athletics shall have the right to use the Arena for practice on any other dates the Arena is not scheduled or being prepared for another event subject to City approval which shall not unreasonably be withheld. Athletics shall quit and surrender the Basketball Space to the City at the end of each practice and/or Home Game in the same condition as at the date and time of the commencement of the practice and/or Home Games, ordinary wear and tear excepted. The City will have the right to lease the Arena to other entities on the dates when the Basketball Teams are not scheduled to practice or play Home Games in the Arena provided that at the end of such other event the Arena is again set up for use by the Basketball Teams for practice or Home Games. Notwithstanding the above, the City will use commercially reasonable efforts to work with Athletics to hold use of the Arena open during the last two weeks of March for basketball post-season play at a mutually agreed upon rental rate.

Rent. Athletics agrees to pay the City an annual rental (“**Rent**”) of Seven Hundred Fifty Thousand and 00/100 Dollars (\$750,000.00). The Rent shall be increased for inflation on an annual basis beginning in September of 2014 and in each succeeding year utilizing the Consumer Price Index for All Urban Consumers (“**CPI-U**”) over the last 12 months before seasonal adjustment as reported for the month the adjustment is made by the U.S. Bureau of Labor Statistics (or its successor). The Rent shall be payable in one installment following the Basketball Season but not later than May 1 of each year of the Lease Term. The Rent includes all costs of utilities, janitorial services and routine maintenance incurred and attributable to Athletics’ exclusive use of the Leased Improvements but excludes home game expenses as agreed in the Lease/Operating Agreement. Upon reasonable notice to the City, the University may schedule use of the Arena for other University events up to fifteen days per year without paying additional rent. Such use shall be restricted to dates the Arena is not scheduled or being prepared for another event and shall be subject to the University paying the City an amount intended to approximate all actual and direct costs and expenses incurred or paid by or on behalf of the City to provide incremental costs not included in rent related to the event for customary utilities, janitorial, police, traffic control, fire prevention, directional signage, and other similar services for the event not to exceed the lowest rates customarily charged for other Arena users for similar events. University, at its own cost and expense, shall employ all other support staff needed by the University in order to hold the event.

Credit Against Rent. An annual amount equal to: all turnback sales tax receipts the City receives from the sale of basketball tickets for Home Games (includes 70% of the state sales tax), pursuant to the Convention Center Facility Financing Assistance Act (Neb. Rev. Stat. §§13-2601 to 13-2612); the first dollar of all City imposed ticket surcharges on basketball tickets sold for Home Games during each Basketball Season; and a make-whole provision for lost concessions revenues in an amount of \$300,000 shall first be applied as a credit toward Athletics Rent and then to other Athletics Home Game expenses. The City agrees to renegotiate the make-whole provision for concessions in the event University eliminates or modifies its restrictions on the sale of alcohol at Home Games and other University events held in the Arena. The concessions make whole annual amount shall be increased for inflation on an annual basis beginning in September of 2014 and in each succeeding year utilizing the CPI-U over the last 12 months before seasonal adjustment as reported for the month the adjustment is made by the U.S. Bureau of Labor Statistics (or its successor).

Home Games

City Home Game Staffing. The City will be responsible for providing customary utilities, janitorial, police, traffic control, fire prevention, directional signage and other similar services for events at the Arena. Athletics will retain operational control of the Home Games for purposes of NCAA compliance and otherwise. Home Game related services for concessions and otherwise will be provided and staffed according to the Operating Agreement.

Athletics Home Game Staffing. Athletics, at its cost and expense, shall employ the officials and all event support staff, including but not limited to statisticians, timekeepers, scorekeepers, public address announcers, runners and other event and operations related staffing.

Basketball Space. The City shall provide or cause to be provided for each Home Game the leased Basketball Space in a first class condition.

Seating

There will be suites, loge, club and floor seating. Suites and loge seating constitutes “**Premium Seating**.”

Suites Seating. It is anticipated the Arena will initially have 36 out of a possible 48 suites of which four (4) will be designated as UNL Suites, two (2) will be designated as City Suites, and the remaining 30 suites will be designated as Private Suites all as approved in the construction documents. No license fee will be charged for the UNL Suites or City Suites. The City will market and sell all of the Private Suites, retaining the related Suite revenues, provided that Athletics will be provided and retain sole control of the 4 UNL Suites from the initial phase of construction to market, sell or use as determined by Athletics. In the event the City decides to increase the number of suites in excess of 36, the City shall offer the University the option to build up to one-half of the increased number of suites and to market, sell or use such suites as determined by Athletics. If the University does not exercise its option within 180 days from receipt of the same, unless otherwise agreed by the Parties, the City may proceed to construct the suites and market, sell or use such suites as determined by the City. Subject to certain terms and conditions, University grants City the exclusive right to market, license and assign the Private Suites to individuals and entities in connection therewith.

Loge Seating. The City will market and sell all of the Loge Seating, retaining the related Loge Seating revenues provided that Athletics will be provided an amount in return equal to 50% of the total net revenues for the Loge Seating. Subject to certain limitations, University grants City the exclusive right to market, license and assign the Loge Seating to individuals and entities in connection therewith.

Club and Floor Seating. The Arena will have Club Seating and Floor Seating (front row or courtside) as approved in the Construction Documents consisting of approximately 1,500 seats. The parties understand and agree that the number of Club Seats and Floor Seats will be determined by mutual agreement as provided in the Lease/Operating Agreement between the Parties. Athletics will market and sell all of the Club and Floor Seating for Home Games, retaining the related Club and Floor Seating revenues, provided that the City will market and sell all of the Club and Floor Seating for non-university events and retain the related Club and Floor Seating revenue. Combined sales for both Home Games and non-University events shall be split pro-rata unless otherwise agreed in the Lease/Operating Agreement. Subject to certain terms and conditions, University and City grant to each other a reciprocal right to market, license and assign Club and Floor seats to individuals and entities for non-University events in combination with Home Games.

Seating Assignments. Notwithstanding the City’s exclusive right to market, license and assign Suites Seating and Loge Seating, the City agrees to consult with Athletics on assignment of all seats to Home Games. Athletics has exclusive rights to assign seating for the Club Seating, Floor Seating and non-premium seats available to its students and fans for Home Games. Both parties shall cooperate with one another in bundling packages for combined seating at all Arena events. Athletics agrees to allow City to sell suites and loges at a market rate to be determined by City and its consultants.

University Ticket Sales

Sales. Athletics shall have the right to set ticket prices for all Home Games and other Athletics-sponsored intercollegiate events held in the Arena. Athletics shall, at its own cost and expense, perform all duties for the sale of tickets, including operation of a box office at the Arena for the sale of single game tickets. City will provide Athletics with access to the City’s box office and equipment. Athletics shall be entitled to receive and retain all revenues from all season and single game ticket sales. City reserves the right to fix the prices for non-University ticket sales and sell such tickets for all other uses of the Arena. City shall be entitled to receive and retain all revenues from the other uses of the Arena. Athletics and City agree to

work together to resolve any problems which may arise regarding the joint use of the City's box office and equipment.

Surcharge. City will initially assess the \$1.00 surcharge per ticket sold on all events in the Arena including Home Games. In the case of season tickets, the \$1.00 surcharge will be assessed separately on each Home Game during the season. If the City determines that the finances of the Arena make it necessary to increase the ticket surcharge to all events in the Arena, Athletics agrees to permit a temporary additional surcharge to apply to tickets for Home Games with limitations set forth in the MOU. The Lease/Operating Agreement shall provide the process for determining financial need and the basis for allocating, beginning and ending any temporary additional surcharge. All amounts collected from any City surcharge will be remitted to the City, and except for the first dollar of City-imposed surcharges on Home Games, shall be applied toward payment of the principal, redemption price and interest due in connection with the Debt Service Fund. Athletics will collect such surcharge and any other ticket surcharge or user fee imposed by another governmental agency from the Home Game ticket purchaser and pay the entire amount of such surcharge to the City or other assessing governmental agency as required by applicable law. Except as it relates to the Surcharge, Athletics shall be responsible for all sales tax, use tax, or other tax associated with the sale of tickets or use of the Arena for all Home Games or other Athletics use of the Arena.

Naming Rights

The City reserves and shall have the exclusive right to sell, license, or grant the right to name the Arena and identify such name on the Arena concourses, the entrances to the Arena, the exterior Arena roof, the exterior of the Arena or any other areas on, in, upon or immediately around the Arena except for the basketball court floor and specific areas leased for the exclusive use of Athletics (e.g., Husker Vision space and locker rooms for the Basketball Teams). The University is hereby granted the exclusive right to sell, license or grant the right to name the basketball court floor and the locker rooms for the Basketball Teams. The City and University will retain all revenue arising from the sale, lease, or licensing of their respective naming rights. The parties agree to support and cooperate with each other in the sale and promotion of naming rights, and both parties grant a reciprocal right of reasonable consent and approval to the exercise and modification of naming rights taking into consideration the co-existing naming and related terms and conditions in existing and proposed naming agreements.

Arena Signage

Consistent with the Multi-Media Agreement, the City reserves and shall have the exclusive right to seek, negotiate and obtain agreements regarding the right to temporary and/or permanent signage inside or outside the Arena for non-University events and to retain the revenue therefrom. The City further reserves the right to advertise and promote future City events during Home Games and other University events consistent with the Multi-Media Agreement. Athletics will provide reasonable exposure via electronic means and PA announcements for non-University events before Home Games and once during half-time of Home Games. Athletics will prohibit its MM-Agency from selling sponsorships that include food or drink give-aways at Home Games except as coordinated and agreed with the City and their concessionaire.

Concessions

The City itself, or through its concessionaires, shall operate all food and beverage sales at the Arena including Home Games and shall be entitled to retain all net revenues received therefrom. City agrees that no alcohol sales shall be allowed during UNL Basketball Games and other UNL events. City agrees to include as part of its concessions during Home Games, an assortment of affordable foods. The City agrees to provide,

at cost, concession basic food and beverage service to the locker rooms of the Basketball Teams and visiting teams at Home Games.

University Broadcast Rights

University will have the exclusive right to sell or license the television, radio, motion picture, internet or other rights to the broadcasting, filming or other recording ("**Broadcast Rights**") of all Home Games held in the Arena and to retain all revenue from such sale or license of Broadcast Rights.

Branding

The Arena will provide appropriate locations for the University to identify the Basketball Teams ("**Branding**"). City will not take any action that is inconsistent with the Branding of the Arena for the Basketball Teams. City will permit University to display historical banners in the Arena that recognize the historical accomplishments of the Basketball Teams, individuals and conference affiliation.

Sale of University Merchandise

The University, at its expense, shall have the exclusive rights to sell or at its option, contract with a third party to sell University merchandise in and around the Arena during Home Games in a manner similar to the halo policy for University football games at Memorial Stadium. The cost of all merchandise inventory and merchandise sold shall be at the University's expense.

Operation

The City, or its designee, will operate and maintain the Arena, Basketball Space and Arena Parking Improvements in a manner consistent with arenas and parking improvements of similar age, size and design, ordinary wear and tear excepted. The City will be entitled to establish reasonable parking fees for the parking garage and parking lot provided that such parking fees established for Arena events will be commercially reasonable.

Maintenance

In consideration of the Rent, the City will operate and maintain the Arena and Leased Improvements so as to cause it to remain in a condition comparable to that of other multipurpose sports and entertainment facilities of similar size, design and age, ordinary wear and tear excepted. The City will be responsible for all operating, maintenance, and capital repair expenses related to the Arena and it will be operated in a manner substantially similar to and consistent with other similarly situated multipurpose sports and entertainment arenas suitable for Division I basketball programs.

Contingencies

The performance of the MOU is contingent upon the following:

- a. Execution of a Joint Facilities Agreement between Union Pacific Railroad Company (UP) and BNSF Railway Company (BNSF) with terms and conditions acceptable to the City;
- b. Execution of a definitive agreement between UP and the City for the West Haymarket Project;

c. Execution of a definitive agreement between BNSF and the City for the West Haymarket Project; and

d. Execution of a definitive Lease/Operating Agreement between University and City for lease of the Leased Improvements.

Definitive Final Agreement

The parties acknowledge that the terms of the MOU have been agreed to as the principal terms for the design, development and construction of the Arena and lease of the Basketball Space to University. Based upon the MOU, the parties shall in good faith proceed with expedience to negotiate and enter into a definitive final agreement after the affirmative vote of the voters of the City on the May, 2010 ballot proposition relating to the Arena, which shall conform to the provisions set forth in the MOU and provide such other matters as are consistent with and customary for a transaction of this type.

Mutual Cooperation

The successful design, development and construction of the Arena and related activities are dependent upon the continued cooperation and good faith of the University and City. Every covenant, agreement, or restriction in the MOU stated shall be construed in recognition of this interdependence and need for continued mutual cooperation. Athletics retains general responsibility for event management related to Athletics use of the Leased Improvements in recognition of applicable NCAA requirements and that Home Games are part of the Branding and larger mission of the University related to intercollegiate athletics. Athletics and the City or the City's contractor specifically agree to mutual cooperation in Branding, and other marketing including cooperative efforts to sell sponsorships, naming rights, ticketing, premium seating and advertising to optimize revenues and avoid unintended consequences for all parties.

Termination of MOU

In addition, either party may terminate the MOU prior to the City's entering into a definitive agreement with BNSF for acquisition of the Arena Site.

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APPENDIX D

PROJECTED CASH FLOWS

WEST HAYMARKET JOINT PUBLIC AGENCY-BASIS OF PROJECTIONS

The Agency does not as a matter of course make public projections as to future revenues and expenses, operating income, or other results. However, the City's management has prepared the projected financial information set in this APPENDIX D to present the projected revenues and expenses related to the Projects. The accompanying projected financial information was not prepared with a view toward public disclosure or with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to projected financial information, but, in the view of the City's management, was prepared on a reasonable basis, reflects the best currently available estimates and judgments and presents, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of the Projects. However, this information is not fact and should not be relied upon as necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the projected financial information.

Neither the City's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the projected financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the projected financial information.

The assumptions and estimates underlying the projected financial information are inherently uncertain and, while considered reasonable by the management of the City as of the date hereof, are subject to a wide variety of significant business, economic, and competitive risks and uncertainties that could cause actual results to differ materially from those contained in the prospective financial information. Accordingly, there can be no assurance that the projected results are indicative of the future performance of the operations of the Projects or that actual results will not differ materially from those presented in the projected financial information. The inclusion of projected financial information in this Official Statement should not be regarded as a representation by any person that the results contained in the projected financial information will be achieved.

The City does not generally publish its business plans and strategies or make external disclosures of its anticipated financial position or results of operations. Accordingly, the projections include only projects approved by both the City and the Agency. Neither the City nor the Agency intends to update or otherwise revise the projected financial information to reflect circumstances existing since their preparation or to reflect the occurrence of unanticipated events, even in the event that any or all of the underlying assumptions are shown to be in error. Furthermore, neither the City nor the Agency intends to update or revise the projected financial information to reflect changes in general economic or industry conditions.

West Haymarket Joint Public Agency
Projected Cash Flows

	footnote	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Receipts:													
Turn back tax	1	1,690,933	1,724,752	1,759,247	1,794,431	1,830,320	1,866,927	1,904,265	1,942,350	1,981,197	2,020,821	2,061,238	2,102,462
Occupation taxes	2	10,518,693	10,729,066	10,943,648	11,162,521	11,385,771	11,613,487	11,845,756	12,082,671	12,324,325	12,570,811	12,822,228	13,078,672
Arena revenues	3	5,751,069	5,866,090	5,983,412	6,103,080	6,225,142	6,349,644	6,476,637	6,606,170	6,738,293	6,873,059	7,010,521	7,150,731
Parking Revenues	4	1,160,479	1,230,901	1,303,629	1,378,727	1,456,258	1,480,164	1,504,391	1,528,942	1,553,818	1,579,020	1,604,550	1,630,409
TIF and Developer Contributions	5	1,902,859	1,908,859	1,915,039	1,921,404	1,927,961	1,934,714	1,941,669	1,948,834	1,956,213	1,963,814	1,971,642	1,979,706
Interest on cash balances	6	192,820	184,310	191,390	214,822	255,003	312,472	384,891	466,816	432,866	406,589	388,287	378,274
Total		21,216,851	21,643,978	22,096,364	22,574,985	23,080,454	23,557,407	24,057,611	24,575,783	24,986,713	25,414,114	25,858,465	26,320,255
Expenditures:													
Debt Service - JPA Debt	7	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	21,285,737	21,285,737	21,285,737	21,285,737	21,285,737
City of Lincoln - General Obligation (Turnback)	8	1,702,859	1,702,859	1,702,859	1,702,859	1,702,859	1,702,859	1,702,859	1,702,859	1,702,859	1,702,859	1,702,859	1,702,859
Arena operating subsidy	9	1,525,829	1,571,604	1,618,752	1,667,315	1,717,334	1,768,854	1,821,920	1,876,577	1,932,875	1,990,861	2,050,587	2,112,104
City Administrative Expenses	10	200,000	206,000	212,180	218,545	225,102	231,855	238,810	245,975	253,354	260,955	268,783	276,847
Total		18,428,688	18,480,463	18,533,791	18,588,719	18,645,295	18,703,568	18,763,589	25,111,148	25,174,825	25,240,412	25,307,966	25,377,547
Net Cash Flow		2,788,163	3,163,515	3,562,573	3,986,266	4,435,160	4,853,839	5,294,022	(535,365)	(188,112)	173,703	550,499	942,708
Beginning of Year Cash	11	9,640,976	12,429,140	15,592,654	19,155,228	23,141,494	27,576,653	32,430,493	37,724,514	37,189,150	37,001,038	37,174,741	37,725,240

Footnotes

- 1 The turnback tax represents sales taxes received by the City from the State of Nebraska for eligible facilities as specified in Nebraska statutes.
- 2 The City has enacted a 2% Bar and Restaurant tax and a 4% hotel and car rental tax. These taxes are citywide and take effect January 1, 2011 and are assumed to increase 2% annually.
- 3 Arena revenues consist of revenues from the sale of advertising, naming rights, and premium seating (suites, loge and club seating) allocated to the Agency.
- 4 Parking revenues consist of receipts from the rental of 4,000 surface and garage parking spaces.
- 5 TIF and Developer Contributions consist of tax increment financing receipts and developer payments to the City based on the redevelopment agreement with the developer.
- 6 Interest on cash balances assumes a 2% annual rate based on the prior year's ending balance.
- 7 Assumes a total of \$300 million of JPA debt issued at an average borrowing cost of 5%. Debt will be amortized over 35 years with interest only payments through 2020.
- 8 Voter approved GO debt to be issued by the City at an average borrowing cost of 5% amortized over 25 years.
- 9 Arena operating subsidy represents a subsidy to the arena operator similar to the current arrangement the city has with the Pershing Auditorium operator, and is assumed to increase 3% annually.
- 10 City Administrative Expenses include such items as audit and legal expenses and are assumed to increase 3% annually.
- 11 2014 Beginning Cash based on receipt of occupation taxes for years 2011 through 2013 to the extent no needed for debt service during that period.

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

[FORM OF OPINION OF BOND COUNSEL]

December 1, 2010

West Haymarket Joint Public Agency
Lincoln, Nebraska

Robert W. Baird & Co., Inc.
Red Bank, New Jersey

Wells Fargo Bank, National Association
Charlotte, North Carolina

Re: \$67,965,000 Lincoln, Nebraska West Haymarket Joint Public Agency General Obligation
Facility Bonds, Taxable Series 2010B (Build America Bonds – Direct Pay)

and

\$32,035,000 Lincoln, Nebraska West Haymarket Joint Public Agency General Obligation
Recovery Zone Economic Development Bonds, Taxable Series 2010C

Ladies and Gentlemen:

We have acted as bond counsel to the West Haymarket Joint Public Agency (the “Agency”) in connection with the issuance of the above-captioned bonds (the “Bonds”). In this capacity, we have examined the law and the certified proceedings, certifications and other documents as we deem necessary to render this opinion.

The Bonds are issued pursuant to the provisions of (a) the Nebraska Joint Public Agency Act (Chapter 13, Article 25, Reissue Revised Statutes of Nebraska, as amended, the “Act”), (b) the Joint Public Agency Agreement Creating the West Haymarket Joint Public Agency dated as of April 1, 2010 (the “JPA Agreement”) between The City of Lincoln, Nebraska (the “City”) and The Board of Regents of the University of Nebraska (the “Regents”), (c) the Bond Resolution adopted October 19, 2010 (the “Resolution”) by the Agency and (d) the Facilities Agreement dated September 8, 2010, as it may be amended from time to time (the “Facilities Agreement”) between the City and the Agency. Capitalized terms used and not otherwise defined in this opinion have the meanings assigned in the Resolution and the Facilities Agreement.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

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

1. The Agency is duly created and validly existing under the Act as a joint public agency and a political subdivision of the State of Nebraska (the “State”) with the corporate power to adopt the Resolution and execute and deliver the Facilities Agreement, perform the agreements on its part contained therein, and issue the Bonds.

2. The Resolution has been duly adopted by the Agency and the Facilities Agreement has been duly authorized, executed and delivered by the Agency and each constitutes a valid and legally binding obligation of the Agency enforceable upon the Agency to the extent permitted by law.

3. The Bonds have been duly authorized, executed, and delivered by the Agency and are valid and binding obligations of the Agency payable from the sources provided therefor in the Resolution and the Facilities Agreement, including, but not limited to, the proceeds of taxes levied by the Agency pursuant to the provisions of the Act and the JPA Agreement.

4. The interest on the Bonds is exempt from Nebraska income taxation.

We express no opinion regarding (a) the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement), or (b) federal or state tax consequences arising with respect to the Bonds, other than as expressly set forth in this opinion.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Resolution and the Facilities Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights generally and by equitable principles, whether considered at law or in equity.

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

Very truly yours,

APPENDIX F

BOOK-ENTRY SYSTEM

BOOK ENTRY SYSTEM

General. The Bonds are available in book-entry only form. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds. Ownership interests in the Bonds will be available to purchasers only through a book-entry system (the “**Book-Entry System**”) maintained by The Depository Trust Company (“**DTC**”), New York, New York.

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

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

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

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

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

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

Redemption notices will be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

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

Discontinuation of Book-Entry System. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Agency or the Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Agency may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed, registered in the name of

DTC's partnership nominee, Cede & Co. (or such other name as may be requested by an authorized representative of DTC), and delivered to DTC (or a successor securities depository), to be held by it as securities depository for Direct Participants. If, however, the system of book-entry-only transfers has been discontinued and a Direct Participant has elected to withdraw its Bonds from DTC (or such successor securities depository), Bond certificates may be delivered to Beneficial Owners in the manner described in the Resolution.