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-ONLY

RATINGS: Moody's: "Aa3"
NOT BANK QUALIFIED

In the opinion of Gilmore & Bell, P.C., Lincoln, Nebraska, Bond Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended, stated interest on the Bonds is ***included*** *in gross income for federal income tax purposes. The Bonds are exempt from all Nebraska taxes. See "TAX MATTERS."*

$5,500,000
CITY OF LINCOLN, NEBRASKA
ENTERTAINMENT CENTER/OLD FEDERAL BUILDING REDEVELOPMENT PROJECT
TAXABLE TAX ALLOCATION BONDS, SERIES 2004

Dated: Date of Delivery **Due: As shown on the inside cover**

The City of Lincoln, Nebraska (the "City") is issuing $5,500,000 in aggregate principal amount of its Entertainment Center/Old Federal Building Redevelopment Project Taxable Tax Allocation Bonds, Series 2004 (the "Bonds"), pursuant to its authority under the Constitution and laws of the State of Nebraska, the provisions of its Home Rule Charter, and an ordinance adopted by its City Council and approved by its Mayor.

The City is issuing the Bonds in fully registered form and in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which is acting as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry-only form, in the principal amount of $5,000 or any integral multiple thereof, through brokers and dealers who are, or who act through, DTC participants. Beneficial owners of the Bonds will not receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the security depository with respect to the Bonds. Interest on the Bonds is payable on June 15 and December 15 of each year, beginning December 15, 2004. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal or redemption price of and interest on the Bonds will be made directly to DTC. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. Union Bank & Trust Company, Lincoln, Nebraska, will act as paying agent and registrar for the Bonds. For terms relating to payments made to DTC or its nominee or in the event that the use of book-entry form is discontinued, see the caption "THE BONDS - Book-Entry-Only System" and Appendix E: "BOOK-ENTRY ONLY SYSTEM" herein.

The Bonds maturing on or after December 15, 2011 are subject to optional redemption prior to maturity at any time on or after December 15, 2010. See the caption "THE BONDS - Optional Redemption" herein.

The City is using the proceeds of the Bonds to finance and/or refinance, as the case may be, the costs of acquiring real property and/or acquiring, constructing, reconstructing, improving, extending, equipping and furnishing municipal improvements within the area included in the City's Entertainment Center/Old Federal Building Redevelopment Project Area which the City has the power to acquire, construct, reconstruct, extend, equip and improve under the provisions of Section 12 of Article VIII of the Nebraska Constitution and Article 21 of Chapter 18, Reissue Revised Statutes of Nebraska, as amended. See the captions "INTRODUCTION," "PURPOSE" and "THE REDEVELOPMENT PLAN" herein.

THE BONDS ARE SPECIAL, LIMITED TAX OBLIGATIONS OF THE CITY SECURED SOLELY BY PLEDGES OF CERTAIN SPECIFIED TAX REVENUES AS MORE FULLY EXPLAINED UNDER THE CAPTIONS "INTRODUCTION," "SECURITY" AND "THE TAX REVENUES" HEREIN. THE BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS (EXCEPT THE CITY). THE BONDS DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT, THE RESOURCES OR THE TAXING POWERS OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE CITY).

MATURITY SCHEDULE – SEE INSIDE COVER

The Bonds are offered only in book-entry form, when, as and if issued, subject to the approval of legality by Gilmore & Bell, P.C., Lincoln, Nebraska, Bond Counsel. It is expected that the Bonds will be available for delivery through The Depository Trust Company, New York, New York, on or about April 21, 2004.

PIPER JAFFRAY

AMERITAS INVESTMENT CORP.
Has acted as Financial Advisor

Dated: April 7, 2004.

MATURITY SCHEDULE

$5,500,000
ENTERTAINMENT CENTER/OLD FEDERAL BUILDING REDEVELOPMENT PROJECT
TAXABLE TAX ALLOCATION BONDS
SERIES 2004

Maturity Date (December 15)	Principal Amount	Interest Rate	Yield	Price
2004	$245,000	3.00%	1.37%	101.050%
2005	360,000	3.00	1.98	101.646
2006	365,000	3.00	2.56	101.118
2007	375,000	3.00	3.03	99.894
2008	405,000	3.50	3.55	99.784
2009	425,000	3.75	3.77	99.895
2010	445,000	4.00	4.06	99.649
2011	465,000	4.30	4.32	99.866
2012	485,000	4.50	4.54	99.711
2013	515,000	4.70	4.72	99.840
2014	540,000	4.75	4.78	99.745
2015	875,000	4.80	4.83	99.729

CITY OF LINCOLN, NEBRASKA
CITY OFFICIALS

Coleen J. Seng, Mayor

City Council Members

Jon Camp (Chairperson)

Jonathan Cook
Glenn Friendt
Annette McRoy
Patte Newman
Ken Svoboda
Terry Werner

City Department Heads

Donald Herz	Finance Director
Marvin Krout	Planning Director
Lynn Johnson	Parks and Recreation Director
Terry Bundy	LES Administrator and CEO
Marc Wullschleger	Urban Development Director
Carol Connor	Library Director
Allan Abbott	Public Works and Utilities Director
Bruce Dart	Health Director
Don Taute	Personnel Director
Dana W. Roper	City Attorney
Thomas Casady	Police Chief
Mike Spadt	Fire Chief
Mike Merwick	Building and Safety Director

Peggy Watchorn, City Controller

Financial Advisor

Ameritas Investment Corp.
Lincoln, Nebraska

Bond Counsel

Gilmore & Bell, P.C.
Lincoln, Nebraska

Registrar and Paying Agent

Union Bank & Trust Company
Lincoln, Nebraska

Independent Auditors

BKD, LLP

No dealer, broker, salesman or other person has been authorized by the City or the Underwriter to give any information or to make any representations other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Underwriter. 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 an offer, solicitation or sale. This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this 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 representations of fact. The information set forth herein is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

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

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

OFFICIAL STATEMENT

$5,500,000
CITY OF LINCOLN, NEBRASKA
ENTERTAINMENT CENTER/OLD FEDERAL BUILDING REDEVELOPMENT PROJECT
TAXABLE TAX ALLOCATION BONDS
SERIES 2004

INTRODUCTION

This Official Statement is provided by the City to furnish information about the City, its Lincoln Center Redevelopment Plan (the **"Plan"**), its Entertainment Center/Old Federal Building Redevelopment Project (the **"Project"**), and its $5,500,000 Entertainment Center/Old Federal Building Redevelopment Project Taxable Tax Allocation Bonds, Series 2004 (the **"Bonds"**).

The Bonds are being issued pursuant to Ordinance No. 18213 of the City duly passed and adopted by the City Council on July 28, 2003 and approved by the Mayor of the City on July 31, 2003, as from time to time amended and supplemented (the **"Ordinance"**). The Bonds are special, limited tax obligations of the City secured solely by a pledge of certain tax revenues consisting of (1) such part of the real estate taxes levied each year upon the real estate located within the respective Project areas during a 15-year period (the **"Increment Period"**) as represents the difference between the aggregate amount of real estate taxes produced by the annual levy at the rate fixed each year on the then current valuation of real estate located within the Project area and the aggregate amount of taxes which would have been produced by such annual levy on the valuation of the real estate located within the Project area at the time the City approved each Project (the **"Tax Increment"**), and (2) such tax revenues, if any, as may be levied and collected by the City pursuant to the provisions of Section 18-2107(11) of the Redevelopment Law (hereinafter defined), which permits a tax levy of not to exceed 2.6¢ per $100 of assessed valuation upon all taxable property in the City, except intangible property, for the purpose of paying debt service on the Bonds (the **"Permissible Levy,"** the tax revenues resulting from the Tax Increment with respect to a project and any imposition by the City of the Permissible Levy for the purpose of paying debt service on the Bonds issued to pay the costs of such project being collectively referred to herein as the **"Tax Revenues"** with respect to such project). Tax Increment generated from a the Project area is pledged solely to and is available only for debt service payments on the Bonds issued with respect to the Project.

To date, the City has never imposed any part of the Permissible Levy authorized by Section 18-2107(11) of the Redevelopment Law. In the Ordinance, the City covenants and agrees that if, at any time, the Tax Revenues with respect to the Project consisting of (a) those tax revenues referred to in the last sentence of the first paragraph of Section 12 of Article VIII of the Constitution of the State and in Section 18-2147, Reissue Revised Statutes of Nebraska, as amended, and (b) all payments made in lieu thereof are insufficient to pay the principal of and interest on the Bonds as and when the same shall become due, the City shall, in addition to all other taxes, levy and collect such taxes pursuant to the provisions of Section 18-2107(11) of the Redevelopment Law at such times and in such amounts as shall be necessary to pay in full the principal of and interest on such Bonds, when and as the same shall become due.

The City currently has outstanding $160,000 in aggregate principal amount of its Q, O, P, R/North Haymarket Redevelopment Project Tax Allocation and Refunding Bonds, Series 2001 (the **"Series 2001 Bonds"**), for which the City has covenanted to impose the Permissible Levy to pay the principal of or interest thereon. In addition, on April 21, 2004, the City anticipates issuing $1,035,000 aggregate principal amount of its Lincoln Mall Redevelopment Project Tax Allocation Bonds, Series 2004, dated the date of delivery (April 21, 2004) thereof (the **"Lincoln Mall TIF Bonds"**) for which the City has covenanted to impose the Permissible Levy to pay the principal of or interest thereon. The City has called all of the Series 2001 Bonds for payment and redemption on April 27, 2004 by the City from existing available funds. In addition, the City currently has outstanding other tax allocation bonds for which it has not obligated itself to impose the Permissible Levy. The City has never limited its ability to impose the Permissible Levy either for the purpose of paying debt service on any or all of the tax allocation bonds issued by the City prior to the

issuance of the Bonds or for the purpose of financing improvements in connection with future redevelopment projects. As a result, the City could commit all revenues raised by its imposition of the Permissible Levy to the payment of tax allocation bonds other than the Bonds and/or to pay for the cost of making improvements in redevelopment projects other than the Project so long as the respective Tax Increment generates sufficient funds to satisfy the debt service on the respective series of Bonds. In the event either respective Tax Increment fails to generate sufficient funds for the debt service on the Bonds, payments of principal and interest on the Bonds shall have first priority to any money generated by the City's imposition of the Permissible Levy.

Based upon the 2003 assessed valuation of all taxable property in the City the Permissible Levy, if imposed in full, would generate approximately $3,313,466 of tax revenue, and the City's maximum annual debt service on the Bonds is $917,000.00. See the caption "PROJECTED TAX REVENUES AND DEBT SERVICE COVERAGE" herein.

Upon the issuance thereof, the Bonds will be the only outstanding bonds of the City secured by a pledge of the Tax Increment generated in the Project area, and, in the case of both the Lincoln Mall TIF Bonds and the Bonds, the Permissible Levy. See the captions "SECURITY," "THE TAX REVENUES" and "NEBRASKA DEVELOPMENTS RELATED TO BUDGETS AND TAXATION" herein.

AUTHORITY

The City is issuing the Bonds pursuant to its authority under the provisions of its Home Rule Charter, Section 12 of Article VIII of the Nebraska Constitution, Chapter 18, Article 21, Reissue Revised Statutes of Nebraska, as amended (the **"Redevelopment Law"**), and the Ordinance.

PURPOSE

The net proceeds of the Bonds (after payment of costs of issuing such bonds and fully funding a debt service reserve account for such bonds) will be used to finance the costs of acquiring, constructing, reconstructing, improving, extending, equipping or furnishing certain public improvements within the Project area that comprise the Project, including, but not limited to (i) the acquisition of real property and site preparation, landscaping, and design and construction of public improvements on Block 41, Original City of Lincoln, Lancaster County, Nebraska, (ii) asbestos removal, dock area improvements, landscaping, external façade improvements, courtroom and historic hallway renovations, roof repairs and tuck pointing on a portion of Block 43, Original City of Lincoln, Lancaster County, Nebraska, and (iii) streetscape improvements, including the acquisition, construction and installation of sidewalks, lighting, plant materials and street furniture in the Project area.

ESTIMATED SOURCES AND USES OF FUNDS

Sources of Funds	
Par Amount of Bonds	$5,500,000.00
Plus: Net Original Issue Premium	2,701.30
TOTAL SOURCES	$5,502,701.30
Uses of Funds	
Deposit to Construction Fund	$4,880,443.67
Deposit to Debt Service Reserve Fund	550,270.13
Total Underwriter's Discount and Costs of Issuance	71,987.50
TOTAL USES	$5,502,701.30

SECURITY

The Bonds are valid and legally binding special, limited tax obligations of the City secured solely by a pledge of, and payable solely out of, the Tax Revenues generated from the area.

The Bonds are limited tax obligations of the City, and the City is liable on the Bonds to the extent of its pledge of the Tax Increment and, subject to the qualifications and limitations noted at the caption "INTRODUCTION" herein, the Permissible Levy. Tax Increment generated from the Project area is pledged solely to and is available only for debt service payments on the Bonds issued with respect to such Project. The full faith and credit of the City will be pledged to payment of the Bonds only to the extent that the City has obligated itself to impose the Permissible Levy. In addition, the City may, at its discretion and from time to time, apply other available funds, howsoever derived, to payment of the Bonds. The City has not, however, obligated itself to make any such application of other available funds. See the captions "INTRODUCTION" and "THE TAX REVENUES" herein for further discussion.

The Ordinance creates a Reserve Account for the Bonds in an amount equal to the lesser of (1) 10% of the proceeds of the Bonds, (2) the maximum annual principal and interest requirements on the Bonds, or (3) 125% of the average annual principal and interest requirements on the Bonds.

THE TAX REVENUES

Source of Tax Revenues

The Redevelopment Law provides that a portion of ad valorem taxes levied by public bodies upon real property in a particular redevelopment project may be allocated for a 15-year period to payment of debt service in respect of indebtedness incurred in the financing of such redevelopment project. The portion of the ad valorem taxes to be so allocated is defined as that amount which is produced by the levy at the rate fixed each year on the valuation in excess of the redevelopment project valuation at the time the redevelopment plan is approved and is defined herein as the "Tax Increment" with respect to the Project.

The Redevelopment Law also authorizes the City to levy a tax of not to exceed 2.6¢ per $100 of assessed valuation upon all taxable property in the City, except intangible property, such levy being defined herein, if and to the extent (if any) that the City shall impose any portion thereof for the purpose of paying debt service on the Bonds, as the "**Permissible Levy**." The maximum annual debt service on the Bonds is $917,000.00, while the Permissible Levy, if made, would have generated approximately $3,313,466 for 2004. See the caption "PROJECTED TAX REVENUES AND DEBT SERVICE COVERAGE" herein. The Permissible Levy, to the extent allocated by the City for payment of the Bonds, would not be subject to any statutory or charter limitations. In addition, the City may from time to time, at its discretion, apply other available funds, howsoever derived, for the purpose of paying the Bonds.

Real Property Valuation and Tax Collection Procedures

Ad valorem taxes on real property in the City and other political subdivisions within Lancaster County, Nebraska (the "**County**") are levied by the County Board of Commissioners and collected by the County Treasurer on behalf of the City and all such other political subdivisions. Property valuations are established by the County Assessor on all taxable real property within the County as of January 1 of each year. Real property taxes are levied on September 15 of each year, become due on December 31 and become delinquent on April 1 and August 1 of each year following the year in which the tax levy is made.

Debt service payments on each series of Bonds due December 15 of each year will be paid from the respective Tax Revenues received on April 1 and August 1 of the same year. From the Tax Revenues there will also be set aside each year the amount necessary to pay interest due on June 15 of the same year. All such money will be held in the Special Funds created by the Ordinance. See the caption "PROJECTED TAX REVENUES AND DEBT SERVICE COVERAGE" herein.

NEBRASKA DEVELOPMENTS RELATED TO BUDGETS AND TAXATION

The Nebraska Legislature has enacted legislation intended to reduce the level of property taxation and political subdivision expenditures in the State. Such legislation imposes budget limitations and requires reductions in the rate of taxation for general property taxes. Budget limitations relating to cities, villages, counties and other political subdivisions (Sections 13-518 to 13-522, Reissue Revised Statutes of Nebraska, as amended, and related sections, the **"Budget Limitations"**) limit the growth in amounts that may be budgeted with respect to certain restricted funds. Restricted funds include property taxes, but do not include amounts required to pay interest and principal on bonded indebtedness. The limitation imposed does not apply to tax revenues pledged to retire bonded indebtedness. The Budget Limitations currently provide for a base limitation of 2.5% upon increases. Such base limitation is subject to review by the Nebraska Legislature from year to year. The base limitation may be exceeded by an additional 1% upon an affirmative vote of at least 75% of the governing body. These limitations are to be enforced through the office of the Auditor of Public Accounts of the State of Nebraska and state aid may be withheld from governmental units that fail to comply. The Budget Limitations do not apply to the revenues of proprietary funds unless such revenues are devoted to general fund purposes.

Tax levy limitations (Section 77-3442, Reissue Revised Statutes, as amended, and related sections, the **"Levy Limitations"**) provide for overall limitations on the tax levies of political subdivisions, including counties. The Levy Limitations provide for an express exclusion from the limitations for property tax levies for bonded indebtedness. Under the Levy Limitations the rates for levying property taxes have been reduced for each type of governmental unit in the State of Nebraska. The rate for cities is set at 45¢ per $100 of taxable valuation with an additional 5¢ available for payments under interlocal cooperation agreements.

Expenditures for and taxes to make payments of the principal of and the interest on the City's tax allocation bonds issued under the Redevelopment Law, including the Bonds, are not subject either to the Budget Limitations or the Levy Limitations. Consequently, the City may levy ad valorem taxes upon all property subject to taxation by the City sufficient to pay the principal of and interest on the Bonds, which taxes may be in excess of and in addition to all other taxes now or hereafter authorized to be levied by the City; provided, however, that such tax levy may not exceed 2.6 cents per $100 of taxable valuation in the City or such other limitation as may be set forth in the Redevelopment Law.

The future methods for providing for financing cities, schools and other local units may be altered depending upon future actions to be taken by the Nebraska Legislature, further decisions of the Nebraska Supreme Court and federal courts and future initiative petitions proposed by voters.

THE BONDS

General

The Bonds will be issued in fully registered, book-entry-only form. See "Book-Entry-Only System" under this caption. The Bonds will be issued in the denominations of $5,000 or any integral multiple thereof, not exceeding the amount maturing in any one year, and will mature on the dates and in the amounts and bear interest at the rates, as set forth on the inside front cover of this Official Statement.

Union Bank & Trust Company, with its principal corporate trust office located in Lincoln, Nebraska, is registrar and paying agent (the "**Paying Agent**") for the Bonds. The principal and interest due at maturity or upon prior redemption are payable upon presentation and surrender of each series of Bonds at the office of the Paying Agent. Interest due prior to maturity or earlier redemption is payable on each June 15 and December 15, beginning December 15, 2004, by check or draft of the Paying Agent mailed directly to the persons who are the registered owners as of the close of business on the first day of the month in which such interest payment becomes due (the "**Record Date**").

Book-Entry-Only System - *Generally*

The Depository Trust Company, New York, New York (**"DTC"**), will act as securities depository for the Bonds. Initially, ownership of one fully registered Bond for each maturity of the Bonds, as set forth on the inside front cover hereof, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC. Ownership interests in the Bonds will be available to purchasers only through a book-entry system (the **"Book-Entry System"**) maintained by DTC. See APPENDIX E - BOOK-ENTRY-ONLY SYSTEM to this Official Statement.

Book-Entry System Risk Factors

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

Since transactions in the Bonds can be effected only through DTC, its Participants, Indirect Participants and certain banks, the ability of a Beneficial Owner to pledge any Bonds to persons or entities that do not participate in the DTC system, or otherwise to take actions in respect of such Bonds, may be limited due to lack of physical certificate. The Registrar will not recognize Beneficial Owners as registered owners for purposes of the Ordinance, and Beneficial Owners will be permitted to exercise the rights of registered owners only indirectly through DTC and its Participants.

Optional Redemption

The Bonds maturing on or prior to December 15, 2010 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after December 15, 2011 are subject to redemption at the option of the City prior to their stated maturity at any time on or after December 15, 2010, in whole or in part, in such principal amounts and from such maturity or maturities as shall be determined by the City in it sole and absolute discretion, and by lot in integral multiples of $5,000 within a maturity, at a redemption price equal to the principal amount thereof, together with the interest accrued thereon to the date of redemption thereof, but without redemption premium.

A notice of redemption shall be mailed by first class mail by the Paying Agent not less than thirty (30) days prior to the redemption date, to each owner whose Bonds are called for redemption. Each notice of redemption shall state the distinguishing designation of the series of Bonds to which such notice relates, the date of issue of such series of Bonds, the redemption date, the redemption price, the place or places of redemption (including the name and appropriate address or addresses of the Paying Agent), the CUSIP number (if any) of the maturity, and, if less than all of such maturity, the distinctive certificate numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Bonds the redemption price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the date fixed for redemption, and that from and after such redemption date, interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the address or addresses of the Paying Agent specified in the redemption notice. Any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the City nor the Paying Agent shall be liable for any inaccuracy in such numbers. Failure of any owner to receive notice or any defect in any such notice shall not affect the sufficiency of the proceedings for redemption.

Registration, Transfer and Exchange

Bonds are transferable only upon the books of the City which shall be kept for such purpose at the principal office of the Registrar, upon surrender thereof, together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or his duly authorized attorney, subject to the terms, conditions and limitations

and upon payment of any charges of the Registrar and the City to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer. Upon such transfer, a new fully registered Bond or Bonds of the same maturity and in any authorized denomination for the same aggregate principal amount will be issued to the transferee or transferees in exchange for the Bond to be transferred, subject to the terms and conditions set forth in the Resolution. The Registrar may deem and treat the person in whose name any Bond is registered as the absolute owner thereof, whether or not the Bonds shall be overdue, for the purpose of receiving payment and for all other purposes and neither the City nor the Registrar shall be affected by any notice to the contrary.

For every such exchange or transfer of Bonds, the Registrar shall require the payment by the registered owner requesting such transfer of any tax or other governmental charges payable with respect thereto and may charge a sum not exceeding the actual cost for each new Bond.

No exchange or transfer of any Bonds shall be required to be made during the 16 days next preceding an interest payment date for the Bonds.

PROJECTED TAX REVENUES AND DEBT SERVICE COVERAGE

$5,500,000
Entertainment Center/Old Federal Building Redevelopment Project
Taxable Tax Allocation Bonds
Series 2004

Year Ending November 15	Estimated Tax Increment	Gross Debt Service	Estimated Debt Service Coverage
2004	$476,732	$389,259	1.22
2005	705,558	574,588	1.23
2006	705,558	568,788	1.24
2007	705,558	567,838	1.24
2008	722,111	586,588	1.23
2009	733,009	592,413	1.24
2010	733,009	596,475	1.23
2011	733,009	598,675	1.22
2012	733,009	598,680	1.22
2013	739,531	606,855	1.22
2014	739,531	607,650	1.22
2015*	739,531	366,730	2.02

* Debt Service net of $550,270.13 balance in Reserve Account

The City has covenanted and agreed in the Ordinance that if, at any time, the Tax Revenues (consisting of (a) tax revenues generated by the difference in valuation between the respective base year and the current valuation, and (b) all payments made in lieu thereof) are insufficient to pay the principal of and interest on the Bonds as and when the same shall become due, the City shall, in addition to all other taxes, levy and collect such taxes pursuant to the provisions of Section 18-2107(11) of the Redevelopment Law at such times and in such amounts as shall be necessary to pay in full the principal of and interest on the Bonds, when and as the same shall become due.

THE REDEVELOPMENT PLAN

The Plan, originally adopted in 1985, delineates a revitalization strategy for a 107-block area that includes the 11 to 12 block Project area, inclusive of the Project. The Plan contemplates the conservation of existing buildings, historic preservation, residential development, park/open space/art developments, opportunities for

retail/commercial/office development, preservation of existing business and industry, and public infrastructure and streetscape improvements. The Plan enunciates the primary goals for the Project as including maintenance of the considerable public investment that exists in the Project areas, providing incentives making it attractive for businesses to locate and remain in the Project areas and providing entrepreneurs the opportunity to undertake real estate development ventures involving both new construction and the restoration of existing buildings. The improvements financed by the Bonds, while authorized by the Redevelopment Law, constitute improvements which will be used primarily by the respective redevelopers of the Entertainment Center Project and the Old Federal Building Project (each as defined in the Plan). Although a substantial amount of both public and private sector redevelopment has already taken place within the Project areas, it is expected that significant additional public and private sector redevelopment activities will continue to take place within the Project areas for a number of additional years.

A copy of the Plan is available for inspection at the office of the City's Urban Development Director.

TAX MATTERS

The following is a summary of the material federal 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 holders 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 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.

Opinion of Bond Counsel. In the opinion of Gilmore & Bell, P.C., Lincoln, Nebraska, Bond Counsel to the City, stated interest on the Bonds is ***included*** in gross income as interest for federal income tax purposes. However, based upon existing statutes, regulations, rulings and court decisions, it is Bond Counsel's opinion that stated interest on the Bonds is exempt from all Nebraska income tax. Bond Counsel expresses no opinion whether original issue discount on any Bond is exempt from Nebraska income tax.

Stated Interest. For federal income tax purposes interest payments on the Bonds will be includable in an owner's gross income as interest in accordance with such owner's method of accounting for tax purposes. A cash basis owner will include interest in income when received (or when made available for receipt, if earlier). An accrual basis owner will generally include interest in income when all events necessary to establish the right to receive such interest have occurred.

Bonds Purchased at a Premium. Bonds maturing December 15, 2004, December 15, 2005, and December 15, 2006, have initial offering prices that exceed the stated redemption prices of such Bonds at maturity. The excess of the purchase price of a Bond over its stated redemption price at maturity constitutes premium on such Bond, and such Bonds are referred to hereafter as **"Premium Bonds."** Under Section 171 of the Code, the purchaser of a Premium Bond may elect to amortize any premium over such Bond's term using constant yield principles, based on the purchaser's yield to maturity. A holder amortizes bond premium by offsetting the qualified stated interest allocable to an accrual period with the bond premium allocable to that accrual period. This offset occurs when the holder takes the qualified stated interest into income under the holder's regular method of accounting. If the bond premium allocable to an accrual period exceeds the qualified stated interest for that period, the excess is treated by the holder as a deduction under Section 171(a)(1) of the Code. In addition, the purchaser's adjusted tax basis in such Bond is reduced by the amount of bond premium amortized. Such reduction in a purchaser's adjusted tax basis will increase the gain (or decrease the loss) realized for federal income tax purposes upon a sale, exchange, redemption, or other disposition of such Bond.

Original Issue Discount. Although the stated redemption prices at maturity of certain Bonds exceed the issue prices of those Bonds, such excess with respect to each such Bond is less than a de minimis amount and therefore is not treated as original issue discount for federal income tax purposes.

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

State and Local Taxation. Except with respect to Nebraska income taxation, the discussion above does not address the tax consequences of purchase, ownership or disposition of the Bonds under any state or local tax law. Investors should consult their own tax advisors regarding state and local tax consequences.

Other Tax Consequences. The foregoing is not intended to be a complete description of all Federal or Nebraska income tax consequences associated with an investment in the Bonds, and except as described under "Opinion of Bond Counsel," Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Bonds should consult their own tax advisors regarding the particular tax consequences to them of an investment in such bonds.

Sale, Exchange or Retirement of Bonds Upon the sale, exchange or retirement (including redemption) of an Bond, an owner of the Bond generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale, exchange or retirement of the Bond (other than in respect of accrued and unpaid interest) and such owner's adjusted tax basis in the Bond. To the extent the Bonds are held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the Bond has been held for more than 12 months at the time of sale, exchange or retirement. Gain on an Bond that was acquired in a tax year beginning after December 31, 2000, and held for a period in excess of five years, may be subject to tax at reduced long-term capital gain rates.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the City by not later than May 1 of each year (the **"Annual Report"**), commencing with the report for the 2003-2004 fiscal year of the City and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the City with each Nationally Recognized Municipal Securities Information Repository. The notices of material events will be filed by the City with the Municipal Securities Rulemaking Board. The proposed form of the Continuing Disclosure Certificate of the City is attached to this Official Statement as **Appendix D**. These covenants have been made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5) (the **"Rule"**).

A failure by the City to comply with the Continuing Disclosure Certificate will not constitute a default under the Ordinance, although bondholders will have any available remedy at law or in equity. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price. The City is in compliance with each prior undertaking made by it pursuant to the Rule.

LITIGATION

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Bonds or questioning or affecting the validity of the Bonds or the proceedings and authority under which they are to be issued. Neither the creation, organization or existence of the City, nor the title of the Council members or other officers of the City to their respective offices, is being contested or questioned.

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

LEGAL MATTERS

All legal matters incidental to the authorization, issuance, sale and validity of the Bonds are subject to the approval of Gilmore & Bell, P.C., Lincoln, Nebraska, Bond Counsel. Certain legal matters will be passed on by Gilmore & Bell, P.C., Lincoln, Nebraska, as Disclosure Counsel. Such attorneys have not participated in any independent verification of the information concerning the financial condition or capabilities of the City contained in this Official Statement.

INDEPENDENT AUDITORS

The financial statements of the City for the year ended August 31, 2003, included in APPENDIX B to this Official Statement, have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein.

MISCELLANEOUS

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

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

This Official Statement is issued by the City.

CITY OF LINCOLN, NEBRASKA

By: /s/ Don Herz
Finance Director

APPENDIX A

THE CITY OF LINCOLN

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 79.61 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 2003 population is 235,565.

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 5,779 acres maintained for public use, eleven 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, U.S. Routes 6, 34, and 77 and State Highway 2.

Scheduled air service is provided by United Express, American Eagle, and Northwest Airlink. The City's modern airport has three runways (one of which is 12,900 feet in length) which can accommodate any type of modern aircraft.

Railroad transportation facilities include those of Burlington Northern & Santa Fe, Union Pacific, and AMTRAK, and bus transportation is furnished by one carrier.

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 1,700 students, Union College with approximately 800 students, and Southeast Community College, 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 31,889 is served by 6 senior high schools, 11 middle schools, and 37 elementary schools. There are also 31 private and parochial schools in the City with an enrollment of approximately 6,587 students.

Building Permits and Property Values

LAST TEN YEARS

FISCAL YEAR	COMMERCIAL 1 CONSTRUCTION # PERMITS	COMMERCIAL 1 CONSTRUCTION VALUE	RESIDENTIAL 1 CONSTRUCTION # PERMITS	RESIDENTIAL 1 CONSTRUCTION VALUE	PROPERTY VALUE 2 COMMERCIAL	PROPERTY VALUE 2 RESIDENTIAL	TOTALS
2003	1,036	$ 269,298,229	3,913	$ 315,666,747	$ 3,598,787,015	$ 8,402,403,364	$ 12,001,190,379
2002	1,013	245,476,386	3,405	262,293,941	3,094,988,486	7,255,640,292	10,350,628,778
2001	1,017	215,856,679	3,212	231,390,626	2,855,200,333	7,048,688,380	9,903,888,713
2000	1,069	181,983,107	3,385	225,622,611	2,540,905,431	6,273,610,610	8,814,516,041
1999	1,148	186,569,754	3,235	206,065,342	2,356,367,014	6,067,493,586	8,423,860,600
1998	1,093	119,532,867	3,109	185,894,741	2,132,780,337	5,726,511,673	7,859,292,010
1997	1,107	90,599,429	3,284	191,975,903	1,986,422,642	4,863,604,491	6,850,027,133
1996	1,212	148,033,633	2,976	167,561,114	1,840,136,792	4,676,645,258	6,516,782,050
1995	1,140	110,994,400	2,739	146,598,151	1,734,716,053	4,508,422,380	6,243,138,433
1994	1,117	136,104,897	3,114	156,183,375	1,703,370,467	4,336,950,337	6,040,320,804

1 City of Lincoln, Building and Safety Department.

2 Lancaster County Assessor.

Police and Fire Protection

Lincoln has fourteen fire stations manned by 244 firefighters and two police stations with 303 police officers.

City Employee Information

For the 2003-2004 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 National Association of Government Employees (NAGE) representing labor, trades, and clerical personnel, and the City Employees Association (CEA) representing supervisory, highly technical, and professional personnel. The CEA and NAGE contracts expire at the end of August, 2005; the IAF and LPU contracts expire at the end of August, 2004; and the ATU contract expires at the end of August, 2006.

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.

Industrial and Business Activity

The industrial development statutes permit Nebraska counties and municipalities to issue revenue bonds to acquire sites and construct buildings for lease to industry seeking expansion and relocation. In addition to land and building costs, costs such as grading, utility lines, trackage, etc., may be included in the total cost financed by the bond issue.

Currently, there are more than 200 firms representing over 120 types of manufacturing, evidence of Lincoln's diversified industrial interests. These include printing and publishing, metal fabrication firms, grain storage and feed

manufacturers, planing mills, fire protection systems, pharmaceuticals, electrical and electronic goods and many others. Lincoln is the home office of 20 insurance companies, whose combined assets are over $2 billion. The financial interests of Lincoln are served by 15 banks with over $9 billion in total assets and 7 Savings & Loans with over $7 billion in total assets.

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, Square D, and Outboard Marine Corporation.

SELECTED ECONOMIC INDICATORS

LINCOLN SMSA (LANCASTER COUNTY)
NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT

	JULY 31, 2003		NOVEMBER 30, 2003	
	Number Employed	Percent of Total	Number Employed	Percent of Total
Industry Manufacturing:				
Durable Goods	8,714	5.5	8,641	5.4
Nondurable Goods	6,829	4.3	6,763	4.2
Total Industry Manufacturing	15,543	9.9	15,404	9.6
Nonmanufacturing:				
Natural Resource & Construction	8,199	5.2	7,889	4.9
Transportation, Communications & Utilities	6,576	4.2	6,459	4.0
Wholesale Trade	4,582	2.9	4,518	2.8
Retail Trade	15,503	9.8	16,469	10.2
Information	3,606	2.5	3,702	2.5
Finance, Insurance & Real Estate	11,322	7.2	11,151	6.9
Services (except domestic)	57,617	36.5	57,896	36.0
Government	34,805	22.1	37,282	23.2
Total Nonmanufacturing	142,210	90.4	145,366	90.7
TOTAL	157,753	100.0	160,770	100.0

LINCOLN SMSA (LANCASTER COUNTY LABOR FORCE DATA 1994-2003)
(For the Calendar Year Indicated)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Civilian Labor Force	132,465	136,014	137,967	142,807	142,918	142,384	150,239	150,846	153,021	156,940
Unemployment	3,487	3,060	3,327	2,494	3,208	3,397	3,542	4,209	5,007	5,841
Percent of Labor Force	2.6	2.2	2.4	1.7	2.2	2.4	2.4	2.8	3.3	3.7
Employment	128,978	132,954	134,640	140,313	139,710	138,987	146,697	146,636	148,013	151,100
STATE OF NEBRASKA										
Percent of Labor Force										
Unemployment	2.5	2.6	2.7	2.3	2.7	2.9	2.7	3.1	3.6	3.8

Source: State of Nebraska, Department of Labor

DEMOGRAPHIC STATISTICS
LAST TEN YEARS

Year	Population 1	Per Capita Income 2	School Enrollment 3
2003	235,565	$	31,889
2002	231,800		31,867
2001	225,588	30,872	31,581
2000	218,497	28,752	31,354
1999	217,537	28,493	31,052
1998	215,000	27,487	31,000
1997	209,192	24,602	30,924
1996	206,100	23,591	30,779
1995	203,076	22,446	30,693
1994	199,350	21,169	30,041

Sources:

1 Lincoln/Lancaster Planning Department.

2 University of Nebraska Bureau of Business Research - U.S. Dept. of Commerce, Bureau of Economic Analysis. Per Capita Income for 2002 and 2003 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
2003	72,260	89,642	119,456
2002	69,704	89,085	116,974
2001	68,187	87,749	114,388
2000	66,956	86,501	112,817
1999	65,823	85,156	110,524
1998	64,423	80,770	107,701
1997	63,905	79,490	105,970
1996	62,828	78,488	103,603
1995	61,500	77,470	101,277
1994	61,047	76,400	99,693

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
2003	$ 28,938,852	50,933,285	12,317,663	19,918,793	16,469,645	15,706,918	7,996,019	8,507,223	160,788,398
2002	27,237,134	49,913,169	10,833,055	16,974,798	14,017,601	15,513,515	12,691,837	7,411,878	154,592,987
2001	23,821,580	48,122,074	11,175,059	14,806,760	12,559,336	14,232,879	-	7,742,690	132,460,378
2000	23,529,495	44,042,882	9,039,840	13,958,414	11,204,029	12,589,907	-	7,924,295	122,288,862
1999	21,891,174	41,555,922	9,406,531	13,254,994	10,215,261	11,226,029	-	6,937,983	114,487,894
1998	30,170,768	41,140,827	8,992,439	13,111,328	12,009,990	10,979,131	-	7,317,239	123,721,722
1997	17,791,275	35,073,010	10,348,129	12,655,548	8,581,741	9,491,687	-	7,807,532	101,748,922
1996	21,642,981	35,208,168	8,204,830	12,475,318	8,638,263	8,874,148	-	7,468,367	102,512,075
1995	19,324,778	32,268,654	7,707,436	11,546,106	9,027,752	7,838,386	-	7,161,326	94,874,438
1994	17,757,517	29,709,169	7,039,926	10,611,776	8,104,312	7,019,362	-	9,116,154	89,358,216

[1] Includes General, Special Revenue, and Debt Service Funds.
[2] StarTran added as a Special Revenue 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
2003 [2]	$ 100,343,159	52,362,560	12,679,623	6,097,336	1,464,594	7,411,164	180,358,436
2002	98,375,135	58,762,476	12,449,879	5,605,557	2,018,695	10,548,354	187,760,096
2001	89,503,325	48,369,359	9,638,476	3,685,621	4,072,585	9,668,449	164,937,815
2000	86,831,572	35,469,904	9,838,028	3,360,901	3,955,026	9,228,060	148,683,491
1999	82,998,188	34,847,767	8,690,565	306,506	3,328,425	8,894,527	139,065,978
1998	79,200,331	40,261,744	8,040,655	2,603,350	3,525,748	10,363,736	143,995,564
1997	78,164,628	26,909,591	7,903,461	3,841,495	3,203,760	8,414,170	128,437,105
1996	75,624,598	27,398,828	7,587,645	3,012,387	2,891,696	9,518,249	126,033,403
1995	71,429,314	24,447,377	6,325,774	3,211,819	2,636,591	9,503,980	117,554,855
1994	72,266,306	24,954,144	4,289,234	2,862,622	1,352,122	8,583,766	114,308,194

[1] Includes General, Special Revenue and Debt Service Funds.
[2] StarTran added as a Special Revenue Fund in 2002.

SPECIAL ASSESSMENT COLLECTIONS
LAST TEN YEARS [1]

Fiscal Year Ended August 31	Special Assessment Collections Including Interest
2003	$ 1,814,191
2002	$ 1,867,653
2001	1,796,924
2000	1,948,791
1999	2,359,812
1998	2,104,022
1997	2,390,085
1996	2,484,416
1995	2,337,275
1994	2,770,059

[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 2003 tax levy for the 2003-2004 fiscal year is $51,618,180 below the legal limit, a tax rate per $100 valuation of .29028. The assessed value upon which the 2003 levy is based is $12,712,753,202. Only 90% of the property tax levy may be appropriated, by charter.

For the 2003-2004 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, municipal infrastructure redevelopment fund (MIRF), and highway allocation fees. Bonded indebtedness, capital improvements, and costs associated with interlocal agreements are exempt from the lid. For 2003-2004 the City can also use authority equal to the amount of real growth in the tax base of 4.51%. An additional 1% can be authorized by a 75% vote of the City Council but was not utilized for the 2003-2004 budget. The 2003-2004 budget is approximately $16.0 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, 2003	
		Amount	Percent	Amount	Percent
2002	$ 35,007,926	$ 33,676,453	96.20 %	$ 33,676,453	96.20 %
2001	33,731,282	32,501,760	96.35	33,808,526	100.23
2000	31,159,364	29,936,079	96.07	31,143,997	99.95
1999	29,603,794	28,665,780	96.83	29,759,977	100.53
1998	27,597,664	26,411,546	95.70	27,509,890	99.68
1997	26,812,692	25,758,577	96.07	26,974,986	100.61
1996	27,022,949	25,894,971	95.83	26,962,366	99.78
1995	26,717,464	25,626,901	95.92	26,807,445	100.34
1994	26,289,058	25,209,483	95.89	26,295,625	100.02
1993	25,962,618	25,108,543	96.71	26,253,361	101.12

TEN LARGEST TAXPAYERS

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

Taxpayers	Type Of Business	2002 Assessed Valuations	Percentage Of Total Assessed Valuation
Alltel Communications	Telecommunications	$ 88,891,335	.70%
Kawasaki	Manufacturing	68,519,940	.54
B & J Partnership Ltd.	Building Management	56,885,655	.45
Pfizer	Animal Health	52,285,124	.41
Ameritas Life Insurance Corp	Insurance	48,507,866	.38
Molex Inc.	Manufacturing	44,862,957	.35
WEA Gateway LLC	Retail Management	44,293,300	.35
Burlington Northern	Railroad	43,769,733	.34
Chateau Van Dorn LLC	Real Estate Development	43,769,608	.34
Nebco	Construction / Development	40,406,157	.32
		$ 532,191,675	4.18%

CITY SALES TAX INFORMATION

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

SALES AND USE TAX COLLECTIONS
LAST TEN YEARS

Year Ended August 31	Amount
2003	$ 48,657,268
2002	45,393,491
2001	44,486,127
2000	43,608,313
1999	41,642,771
1998	37,479,413
1997	36,549,194
1996	33,543,308
1995	31,420,946
1994	29,739,476

GENERAL FUND TAX COLLECTIONS
LAST TEN YEARS

Fiscal Year	Property and Motor Vehicle Taxes	Sales and Use Taxes	Insurance Taxes	Sundry Taxes	Taxes In Lieu	Occupation Taxes	Total
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
1999	20,741,154	41,642,771		17,516	1,080,495	5,721,321	69,203,257
1998	18,953,860	37,479,413	889,226	8,647	944,612	4,743,649	63,019,407
1997	19,642,898	36,549,194	921,550	14,903	960,260	4,783,841	62,872,646
1996	19,407,255	33,543,308	984,537	15,438	978,909	4,437,038	59,366,485
1995	19,565,473	31,420,946	958,656	20,132	943,930	5,311,487	58,220,624
1994	19,576,322	29,739,476	1,039,534	22,649	914,133	5,589,410	56,881,524

TAXABLE ASSESSED VALUATION
LAST TEN YEARS [1]

Tax Year	Real Estate	All Other	Motor Vehicle	Total
2003	$ 12,001,190,379	742,915,013		12,744,105,392
2002	10,350,628,778	779,959,389		11,130,588,167
2001	9,903,888,713	820,797,124		10,724,685,837
2000	8,814,516,041	806,431,814		9,620,947,855
1999	8,423,860,600	716,780,457		9,140,641,057
1998	7,859,292,010	660,609,204		8,519,901,214
1997	6,850,027,133	637,669,384		7,487,696,517
1996	6,516,782,050	525,762,951	706,470,078	7,749,015,079
1995	6,243,138,433	442,913,618	639,647,617	7,325,699,668
1994	6,040,320,804	431,628,371	598,259,561	7,070,208,736

[1] Assessment is at 100% of actual. Effective in the 1997 tax year, Motor Vehicles are excluded from the taxable assessed valuation.

TOTAL PROPERTY TAX LEVIES
ALL OVERLAPPING GOVERNMENTS
LAST TEN YEARS *

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
City Of Lincoln	0.2903	0.3145	0.3145	0.3239	0.3239	0.3239	0.3581	0.3837	0.3996	0.4062
School District No. 1	1.3041	1.2830	1.2732	1.3684	1.3813	1.3050	1.6308	1.6260	1.5946	1.6084
Lancaster County	0.2683	0.2683	0.2583	0.2643	0.2584	0.2782	0.2966	0.3106	0.3169	0.3051
Educational Service Unit #18	0.0150	0.0150	0.0150	0.0150	0.0150	0.0149	0.0089	0.0081	0.0082	0.0082
Community Technical College	0.0655	0.0655	0.0636	0.0295	0.0334	0.0696	0.0782	0.0840	0.0864	0.0843
Lower Platte South Natural Res. Dist.	0.0323	0.0359	0.0365	0.0367	0.0372	0.0389	0.0365	0.0346	0.0346	0.0293
Railroad Transportation Safety Dist.	0.0248	0.0220	0.0221	0.0260	0.0260	0.0260	0.0260	0.0091	0.0096	0.0096
Agricultural Society Of Lancaster County	0.0030	0.0012	0.0024	0.0073	0.0032	0.0013	0.0364	0.0364	0.0014	0.0014
Lancaster County Fairgrounds	0.0043	0.0050	0.0052							
Public Building Commission	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0169	0.0170	0.0127
	2.0246	2.0274	2.0078	2.0881	2.0954	2.0748	2.4885	2.5094	2.4683	2.4652

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

DEBT MANAGEMENT
OUTSTANDING INDEBTEDNESS AS OF AUGUST 31, 2003

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

Original Amount	Issued	Issue	Interest Rate	When Due	Date Callable	Interest Date	Outstanding
General Obligation Bonds:							
General Bonds:							
8,250	08/15/97	Storm Sewer and Drainage	4.500 - 5.125	Ser. '99 to '17	2005	Semiannually	$ 7,065
14,435	03/01/99	Various Purpose Series A	3.000 - 4.600	Ser. '00 to '14	2009	"	11,390
7,365	03/01/99	Various Purpose Series A	4.750	Term '15 to '19	2009	"	7,365
8,220	03/01/99	Various Purpose Series B	3.000 - 4.250	Ser. '99 to '11	2007	"	5,240
7,500	05/29/02	Storm Sewer and Drainage	3.000 - 5.000	Ser. '04 to '22	2010	"	7,500
15,595	06/24/03	Various Purpose	3.000 - 3.750	Ser. '04 to '17	2013	"	15,595
3,710	06/24/03	Various Purpose	4.000 - 4.125	Term '18 to '23	2013	"	3,710
	Total General Bonds						$ 57,865
Municipal Infrastructure Redevelopment Bonds:							
3,200	06/13/00	Municipal Infrastructure Redevelopment	4.750 - 5.100	Ser. '01 to '09	2005	Semiannually	$ 2,395
Tax Allocation Bonds:							
1,310	11/15/92	Tax Allocation Bonds	3.250 - 6.200	Ser. '93 to '06	1997	Semiannually	$ 325
105	11/15/92	Tax Allocation Bonds	6.350	Term '93 to '06	1997	"	45
90	11/15/92	Tax Allocation Bonds	6.300	Term '93 to '05	1997	"	35
303	10/18/94	Tax Allocation Bonds	8.000	Term '95 to '05	Anytime	"	95
232	04/21/00	Tax Allocation Bonds	6.390	Ser. '00 to '10	2000	"	177
1,200	05/01/01	Tax Allocation & Refunding Bonds	3.450 - 3.750	Ser. '01 to '04	2003	"	575
42	06/01/03	Tax Allocation Bonds	4.060	Ser. '04 to '11	Anytime	"	42
	Total Tax Allocation Bonds						$ 1,294
	Total General, MIRF, And Tax Allocation Bonds						$ 61,554
Special Assessment Bonds:							
3,860	11/15/89	Special Assessment Revolving	5.900 - 6.850	Ser. '90 to '04	1996	Semiannually	$ 205
	TOTAL GENERAL OBLIGATION BONDS						$ 61,759
Tax-Supported Revenue Bonds:							
11,080	2/27/02	Antelope Valley Project	1.500 - 5.000	Ser. '02 to '16	2012	Semiannually	$ 10,810
Revenue Bonds:							
11,850	11/22/02	Water Revenue	2.750 - 5.000	Ser. '05 to '17	2012	Semiannually	$ 11,850
6,660	11/22/02	Water Revenue	5.000	Term '18 to '22	2012	"	6,660
32,180		Water Revenue	5.000	Ser. '04 to '12	-	"	32,180
	Total Water Bonds						$ 50,690
55,000	07/15/03	Wastewater Revenue	2.000 - 5.000	Ser. '04 to '28	2013	Semiannually	$ 55,000
6,815	09/08/99	Parking Revenue Series A	4.000 - 5.000	Ser. '00 to '09	2009	Semiannually	$ 5,500
6,695	09/08/99	Parking Revenue Series A	5.375	Term '10 to '14	2009	"	6,695
2,125	09/08/99	Parking Revenue Series B	6.250	Ser. '00 to '04	Anytime	"	485
6,000	12/05/01	Parking Revenue	3.750 - 5.125	Ser.'02 to '21	2011	"	5,505
	Total Parking Bonds						$ 18,185
3,165	10/23/01	Golf Course Revenue Refunding	2.300 - 4.050	Ser. '02 to '11	2008	Semiannually	$ 2,580
184,650	07/01/93	Electric Refunding '93 Series A	4.700 - 5.400	Ser. '94 to '11	2003	Semiannually	32,770
62,005	07/01/93	Electric Refunding '93 Series A	5.250	Term '12 to '15	2003	"	12,530
45,560	02/15/98	Electric Revenue Bonds '98 Series A	4.500 - 5.000	Ser. '98 to '18	2008	"	38,225
141,150	08/15/01	Electric Revenue Bonds '01	4.000 - 5.250	Ser. '06 to '20	2011	"	141,150
148,190	10/01/02	Electric Revenue Bonds '02	4.000 - 5.000	Ser. '04 to '25	2012	"	148,190
	Total Electric Bonds						$ 372,865
	TOTAL REVENUE BONDS						$ 499,320

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		Special Assessment Bonds		Tax-Supported Revenue Bonds		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2004	$ 4,114	2,447	105	10	555	436	165	66
2005	4,526	2,335	100	3	565	423	147	61
2006	4,330	2,173	-	-	580	409	143	56
2007	4,000	2,014	-	-	595	391	105	52
2008	3,992	1,864	-	-	615	372	112	49
2009 - 2013	17,252	7,095	-	-	3,430	1,484	612	175
2014 - 2018	15,905	3,745	-	-	4,470	535	266	69
2019 - 2023	7,435	820	-	-	-	-	130	3
	$ 61,554	22,493	205	13	10,810	4,050	1,680	531

Fiscal Year Ended August 31	Business-Type Activities			
	Revenue Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2004	$ 18,750	23,447	300	53
2005	19,375	23,517	310	40
2006	20,145	22,705	320	28
2007	21,050	21,852	207	14
2008	22,010	20,878	212	5
2009 - 2013	120,475	87,503	-	-
2014 - 2018	137,740	56,867	-	-
2019 - 2023	111,205	20,191	-	-
2024 - 2028	28,570	3,706	-	-
	$ 499,320	280,666	1,349	140

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 $6,162,316, $3,028,825, $4,045,517, and $5,968,717 are currently available in the debt service funds to service the General Obligation Bonds, Tax Supported Bonds, Tax Allocation Bonds, and Special Assessment Bonds, respectively. Revenue Bonds are funded partially from reserve accounts set up for debt repayment and partially from proceeds of daily operations.

The City has entered into lease agreements for financing the acquisition of land, buildings, emergency ambulances and defibrillators, 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	$ 42,000	$ 210,000
Buildings	2,185,750	-
Machinery and Equipment	206,597	1,748,261
Less Accumulated Depreciation, (where applicable)	(546,057)	(472,980)
Total	$ 1,888,290	$ 1,485,281

Under the City's Home Rule Charter, there is no legal debt margin. 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 $125 million under a commercial paper note program. At December 31, 2002, LES had $90.2 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, 2002, was 1.4 percent. The annual requirement to pay interest on this outstanding debt is approximately $1,263,000. The outstanding commercial paper notes are secured by a revolving credit agreement which provides for borrowings up to $125 million. LES pays a commitment fee for the credit agreement. Under the terms of the agreement LES refinances 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, 2003, is summarized below (unaudited):

Units	Net Debt Outstanding	Percentage Applicable To The City	Direct And Overlapping Debt To The City
Direct:			
City	$ 44,676,000	100.0 %	$ 44,676,000
Overlapping:			
School District #1	113,480,000	97.2	110,303,000
Airport Authority	5,783,000	100.0	5,783,000
Lancaster County	9,204,000	84.6	7,787,000
Public Building Commission	36,936,000	84.6	31,248,000
Southeast Community College	None	35.9	None
	165,403,000		155,121,000
Total	$ 210,079,000		$ 199,797,000

The City has no direct liability for the School District, Airport Authority, Lancaster County, or Southeast Community College debt summarized above. This results in a per capita direct City debt of $189.65; a per capita direct and overlapping debt of $853.78; a ratio of direct City debt to 2003 actual valuation of .35 percent; and a ratio of direct and overlapping debt to 2003 actual valuation of 1.58 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 [2]

Fiscal Year	Principal	Interest [3]	Total Debt Service	Total General Governmental Expenditures [1,4]	Ratio Of Debt Service To Total General Expenditures
2003	$ 5,435,370	$ 2,986,634	$ 8,422,004	$ 160,788,398	5.24 %
2002	4,921,172	2,421,303	7,342,475	154,592,987	4.75
2001	4,966,405	2,753,247	7,719,652	132,460,378	5.83
2000	5,125,296	2,772,021	7,897,317	122,288,862	6.46
1999	4,209,267	2,301,745	6,511,012	114,487,894	5.69
1998	4,927,317	2,329,696	7,257,013	123,721,722	5.87
1997	5,469,089	2,274,947	7,744,036	101,748,922	7.61
1996	4,959,621	2,445,185	7,404,806	102,512,075	7.22
1995	4,827,845	2,086,601	6,914,446	94,874,438	7.29
1994	6,603,251	2,349,574	8,952,825	89,358,216	10.02

[1] Includes: General, Special Revenue, and Debt Service Funds
[2] In-substance defeasance excluded from this table.
[3] Does not include fiscal and miscellaneous charges.
[4] StarTran added as Special Revenue Fund in 2002.

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
2003	$ 61,759,000	$ 17,083,000	$ 44,676,000	235,565	$ 189.65	$ 12,744,105,392	0.35 %	$ 12,001,190,379	0.37 %
2002	56,997,000	15,847,000	41,150,000	231,800	177.52	11,130,588,167	0.37	10,350,628,778	0.40
2001	54,418,000	11,243,000	43,175,000	225,588	191.39	10,724,685,837	0.40	9,903,888,713	0.44
2000	58,814,000	9,739,000	49,075,000	218,497	224.60	9,620,947,855	0.51	8,814,516,041	0.56
1999	60,508,000	12,182,000	48,326,000	217,537	222.15	9,140,641,057	0.53	8,423,860,600	0.57
1998	40,492,000	17,707,000	22,785,000	215,000	105.98	8,519,901,214	0.27	7,859,292,010	0.29
1997	47,665,000	16,121,000	31,544,000	209,192	150.79	7,487,696,517	0.42	6,850,027,133	0.46
1996	44,885,000	14,529,594	30,355,406	206,100	147.28	7,749,015,079	0.39	6,516,782,050	0.47
1995	49,573,000	13,486,759	36,086,241	203,076	177.70	7,325,699,668	0.49	6,243,138,433	0.58
1994	42,845,000	12,423,441	30,421,559	199,350	152.60	7,070,208,736	0.43	6,040,320,804	0.50

1 Source: Lincoln/Lancaster Planning Department.

2 Assessed valuation is 100% of actual.

REVENUE BOND COVERAGE
LAST TEN FISCAL YEAR

	Gross Revenue	Direct Operating Expenses	Net Revenue Available For Debt Service	Debt Service Requirements Principal	Interest	Total	Coverage
Wastewater System							
2003	$ 15,785,843	9,086,469	6,699,374	1,032,500	266,722	1,299,222	5.16
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
1999	16,286,632	7,591,990	8,694,642	1,255,000	474,743	1,729,743	5.03
1998	15,873,036	7,512,753	8,360,283	1,217,500	554,216	1,771,716	4.72
1997	15,521,150	7,339,135	8,182,015	1,120,000	627,402	1,747,402	4.68
1996	15,158,461	7,082,660	8,075,801	1,070,000	677,886	1,747,886	4.62
1995	14,978,232	6,785,101	8,193,131	1,020,000	728,840	1,748,840	4.68
1994	14,366,125	6,538,152	7,827,973	970,000	776,009	1,746,009	4.48
Water System							
2003	$ 21,533,965	11,631,496	9,902,469	3,010,000	2,898,489	5,908,489	1.68
2002	22,687,789	11,474,433	11,213,356	2,880,000	2,110,590	4,990,590	2.25
2001	22,287,139	10,960,315	11,326,824	2,755,000	2,240,075	4,995,075	2.27
2000	23,823,957	9,812,147	14,011,810	2,640,000	2,361,515	5,001,515	2.80
1999	20,787,797	9,067,262	11,720,535	2,530,000	2,514,373	5,044,373	2.32
1998	21,009,615	8,894,295	12,115,320	2,435,000	2,621,365	5,056,365	2.40
1997	20,426,318	8,161,529	12,264,789	2,345,000	2,730,407	5,075,407	2.42
1996	20,152,071	8,072,097	12,079,974	2,265,000	2,829,751	5,094,751	2.37
1995	20,467,243	7,622,280	12,844,963	2,195,000	2,963,950	5,158,950	2.49
1994	20,256,136	6,858,777	13,397,359	2,145,000	3,036,215	5,181,215	2.59
Parking Facilities [1, 2]							
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
1999	4,209,988	2,329,165	1,880,823	585,000	640,712	1,225,712	1.53
1998	4,068,991	1,340,709	2,728,282	455,000	651,694	1,106,694	2.47
1997	3,623,705	1,110,085	2,513,620	435,000	670,847	1,105,847	2.27
1996	3,411,735	1,271,655	2,140,080	415,000	908,380	1,323,380	1.62
1995	3,205,953	1,025,468	2,180,485	400,000	483,214	883,214	2.47
1994	2,242,835	724,003	1,518,832	110,000	316,975	426,975	3.56

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. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Cash & Investment Balance - September 1 of Year Indicated	6,578,059	13,711,860	17,986,481	20,599,597	26,542,206	22,742,585	25,069,133	26,814,745	24,802,768	26,589,993
Receipts:										
Property Tax	19,576,322	19,566,778	19,400,997	19,642,898	18,953,860	20,741,154	19,487,198	20,284,364	23,353,414	22,780,085
City Sales & Use Tax	29,739,476	31,420,946	33,543,308	36,549,194	37,479,413	41,642,771	43,608,313	44,486,127	45,393,492	48,657,268
Other Income	18,048,188	19,455,828	20,709,728	18,708,672	19,373,404	19,991,222	21,339,093	21,786,016	26,342,414	24,933,838
Total Receipts	67,363,986	70,443,552	73,654,033	74,900,764	75,806,677	82,375,147	84,434,604	86,556,507	95,089,320	96,371,191
Less Disbursements	60,230,185	66,168,931	71,040,917	68,958,155	79,606,298	80,048,599	82,688,992	88,568,484	93,302,095	96,176,339
Cash & Investment Balance - August 31 of Year Indicated	13,711,860	17,986,481	20,599,597	26,542,206	22,742,585	25,069,133	26,814,745	24,802,768	26,589,993	26,784,845

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

	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Cash Balance - September 1 of Year Indicated	2,518,561	3,006,570	3,705,634	3,748,493	4,000,777	3,682,098	3,536,402	3,313,405	3,099,198	3,440,537
Receipts:										
Property Tax	4,713,228	4,435,594	4,325,012	4,350,593	4,461,628	4,475,066	5,843,384	5,814,489	6,340,938	5,883,592
Interest Income	50,564	67,073	151,746	166,270	236,658	145,534	174,146	107,693	53,873	32,298
Bond Proceeds						189,482				9,436,083
Other Income	1,433	147,490	216,570	656,811	116,996	54,475	247,591	235,736	232,009	240,110
Total Receipts	4,765,225	4,650,157	4,693,328	5,173,674	4,815,282	4,864,557	6,265,121	6,157,918	6,626,820	15,592,083
Disbursements:										
Bonds Paid	2,692,151	2,809,007	2,801,208	3,158,769	3,304,097	2,725,042	3,973,769	4,052,948	4,137,254	4,177,765
Bonds Defeased										9,609,774
Interest Paid	1,551,148	1,482,193	1,835,496	1,756,656	1,817,400	1,955,821	2,500,471	2,308,922	2,144,322	2,309,084
Transfer to Trustee						164,400				
Other Disbursements	33,917	13,281	13,765	5,965	12,464	164,990	13,878	10,255	3,905	
Total Disbursements	4,277,216	4,304,481	4,650,469	4,921,390	5,133,961	5,010,253	6,488,118	6,372,125	6,285,481	16,096,623
Equity Transfer		353,388								
Cash Balance - August 31 of Year Indicated	3,006,570	3,705,634	3,748,493	4,000,777	3,682,098	3,536,402	3,313,405	3,099,198	3,440,537	2,935,997

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

	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998	F.Y. 1999	F.Y. 2000	F.Y. 2001	F.Y. 2002	F.Y. 2003
Cash & Investment Balance - September 1 of Year Indicat	6,439,598	6,746,441	6,053,742	4,855,959	5,150,392	5,357,118	5,003,362	4,964,458	3,778,207	6,586,633
Receipts:										
Special Assessment Collecti	2,211,020	1,883,342	2,080,536	1,972,082	1,818,743	1,992,503	1,638,233	1,529,352	1,360,347	1,271,575
Interest on Special Assessm	559,039	453,933	403,880	418,003	285,279	367,309	310,558	257,157	294,839	346,725
City's Share of Costs	923,341	1,608,296	203,943	161,620		2,038,202	895,961	2,516,175	2,145,574	97,107
Developers' Share of Costs	582,000		14,163	40,508	685,754	75,572		473,445	4,617	
Bond Proceeds										
Interest on Investments	189,783	259,639	312,003	253,112	341,581	241,768	286,460	219,536	137,143	130,555
Miscellaneous	864	67,011	583	4,134		244,724	993,245	144,005	474,438	195,535
Total Receipts	4,466,047	4,272,221	3,015,108	2,849,459	3,131,357	4,960,078	4,124,457	5,139,670	4,416,958	2,041,497
Disbursements:										
Construction Costs	2,135,297	3,018,759	2,408,261	703,170	1,637,987	2,333,433	2,338,999	3,646,025	1,090,434	1,560,456
Bonds Paid	1,226,100	1,105,000	1,170,000	1,115,000	1,105,000	785,000	770,000	270,000	110,000	105,000
SID Warrants										
Interest Paid on Bonds & N	396,254	342,607	285,745	225,544	167,055	110,155	67,293	39,438	24,762	17,534
Other Refunds & Expenses	401,553	498,554	348,886	511,312	14,589	2,085,246	987,069	2,370,458	383,336	34,173
Total Disbursements	4,159,204	4,964,920	4,212,892	2,555,026	2,924,631	5,313,834	4,163,361	6,325,921	1,608,532	1,717,163
Cash & Investment Balance - August 31 of Year Indicated	6,746,441	6,053,742	4,855,959	5,150,392	5,357,118	5,003,362	4,964,458	3,778,207	6,586,633	6,910,967

APPENDIX B

FINANCIAL STATEMENTS

CITY OF LINCOLN
NEBRASKA
MAYOR COLEEN J. SENG
www.ci.lincoln.ne.us

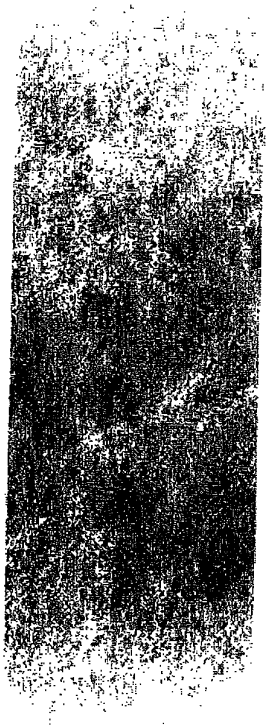
Office of the Mayor
555 South 10th Street
Suite 208
Lincoln, Nebraska 68508
402-441-7511
fax: 402-441-7120
mayor@ci.lincoln.ne.us

January 6, 2004

Dear Citizens and Public Officials:

I am pleased to submit the City of Lincoln's Comprehensive Annual Financial Report for the fiscal year ended August 31, 2003.

Fiscal discipline is the rule for the City of Lincoln. We enforce fiscal responsibility to stay within the operating budget, despite difficult economic times. Our stable city government is an asset to Lincoln's overall economy.



Lincoln residents are proud of our City. The City's future is strong and it continues to grow and prosper. City finances are solid. City Departments have done a good job of meeting the increasing demand for services without additional resources.

Our ability to manage the City's fiscal affairs and ensure 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 2002 report submitted to the Government Finance Officers Association was recognized with the prestigious Certificate of Achievement for Excellence in Financial Reporting for the twentieth consecutive year. This is a compliment to the City Finance Department staff for dealing with these complex accounting issues. We express a thanks to the Finance Department and to all the city departments for their cooperation in preparing this document.

Sincerely,

Coleen J. Seng

Coleen J. Seng
Mayor of Lincoln

LINCOLN
The Community of Opportunity

CITY OF LINCOLN
NEBRASKA

MAYOR COLEEN J. SENG

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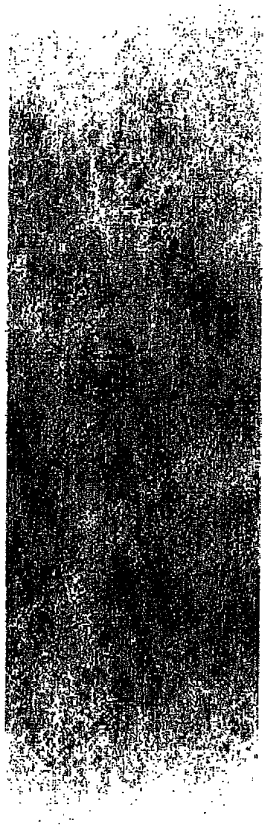


LINCOLN
The Community of Opportunity

January 5, 2004

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

The Comprehensive Annual Financial Report (CAFR) of the City of Lincoln, Nebraska for the fiscal year ended August 31, 2003, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our 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 results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the government's financial activities including all currently effective statements of the Governmental Accounting Standards Board have been included.

The Comprehensive Annual Financial Report is presented in four sections: Introductory, Financial, Statistical, and Single Audit Sections.

- The Introductory Section, which is unaudited, contains a listing of the Officials of the City of Lincoln, an Organization Chart, a Table of Contents, a Letter of Transmittal from the Mayor, this Letter of Transmittal, and a reproduction of the City's Certificate of Achievement for Excellence in Financial Reporting for the year preceding the report.

- The Financial Section includes an Independent Accountants' Report on Financial Statements and Supplementary Information, Management's Discussion and Analysis (MD&A), Basic Financial Statements (including Notes to the Financial Statements), Combining, Subcombining, and Individual Fund Statements and Schedules, and narrative explanations which can be used in understanding combining, subcombining, and individual fund statements and schedules.

- The Statistical Section, which is unaudited, presents comparative data for several periods of time or contains data from sources other than the accounting records. Statistical tables differ from financial statements because they usually cover more than two fiscal years and may present non-accounting data. Statistical tables reflect social and economic data, financial trends, and the fiscal capacity of the government.

- The Single Audit Section contains information related to the City's annual single audit, which is required under the provisions of the Single Audit Act of 1984, the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Included are a Schedule of Expenditures of Federal Awards, Notes to Schedule of Expenditures of Federal Awards, the Independent Accountants' Report on Compliance and Internal Control Over Financial Reporting Based on the Audit of the Financial Statements Performed in Accordance With *Government Auditing Standards*, the Independent Accountants' Report on Compliance and Internal Control Over Compliance with Requirements Applicable to Major Federal Awards Programs, a Schedule of Findings and Questioned Costs, and a Summary Schedule of Prior Audit Findings.

Generally accepted accounting practices (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of MD&A. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it.

The City of Lincoln provides a full range of services, including public safety (police and fire), highways and streets, health, planning and zoning, parks, recreation, urban

development, mass transportation, ambulance transport, electric utility, water utility, wastewater utility, sanitary landfill, golf courses, 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, Parking Lots, Parking Facilities, Golf Courses and Pershing Municipal Auditorium 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, the City's Sanitary Landfill, and the Community Health Permanent Endowment Trust.

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 over 17% between 1990 and 2000, adding over 3,350 people to the community each year. The 1990 population of 213,641 reached 250,291 persons with the 2000 census, setting the County's annualized rate of population growth for the 1990's at 1.6 percent.

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 1.5 percent 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, 2003 was 3.6%, well below the national average of 6.1%. Lincoln employment is strongest in the categories of government, services, and wholesale and retail trade.

Lincoln's construction activity continues to demonstrate sustained growth. Permits for all forms of new construction have risen 18% over the past 5 years with an increase in the value of construction permits of over $279 million.

Current net sales and use tax revenue increased 4% over the previous fiscal year.

Long-Term Planning And Major Initiatives

Urban Development

The City anticipates approximately $60 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 and the Antelope Valley project area, and in low and moderate income areas throughout the City.

Financing will be provided by a variety of sources, including CDBG, HOME, EDI Special Project and Nebraska Affordable Housing Trust Fund grants, Tax Increment Financing, Advanced Land Acquisition funds, Special Assessments, General Fund and Street Construction funds. 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) Redevelopment of Federal Place
  2) Development of Douglas Grand, a 14 screen movie theater
  3) Downtown I-180 entryway improvements
  4) 12th Street arts corridor
  5) Government Square streetscape project
  6) Lincoln Mall streetscape project
  7) Redevelopment of Creamery Building
  8) Redevelopment of Douglas III and Cinema Twin theaters
  9) Redevelopment of Salvation Army Building
  10) Implementation of Haymarket 8th Street Corridor
  11) Assist the Planning Department and Downtown Lincoln Association with the Downtown Master Plan

- The North 27th Street Corridor redevelopment projects include:
  1) Redevelopment of 27th Street north of the alley between "O" and "P" Streets to 26th Street
  2) Redevelopment of the east side of 27th Street at approximately "X" Street
  3) Redevelopment of the east side of 27th Street between "S" and "T" Streets
  4) Construction of the pedestrian trail bridge at "X" Street
  5) Infrastructure improvements around the Salvation Army Building on 27th and Potter Streets; including construction of a parking lot and pedestrian walking improvement to Pentzer Park

- Implementation of selected Antelope Valley community revitalization catalyst projects as identified in the Antelope Valley Redevelopment Plan

- Havelock Redevelopment on-going projects include streetscape, pedestrian walkways and parking lots

- University Place Redevelopment includes streetscape construction and the Transportation/Community Revitalization Plan completion and implementation

- Housing rehabilitation and development programs:
  1) Continuation of First-time Homebuyer, Investor-Owner, and Owner-Occupied housing rehabilitation loan programs
  2) Development of residential housing in Antelope Valley with the neighborhood partner for Antelope Valley, Neighborhoods Inc.
  3) Development of residential housing units in conjunction with downtown projects
  4) Continue development of future phases of the affordable housing project, Old Mill Village, with Nebraska Housing Resource
  5) Sustain the existing affordable rental housing stock by assisting on going non-profit and tax credit projects

- Housing Rehabilitation and Real Estate Division projects also include:
  1) Planning and negotiation for acquisition of park sites
  2) Acquisition and negotiation projects –
     - ✓ South 14th Street widening
     - ✓ Yankee Hill widening, 27th – 40th
     - ✓ South 84th Street Widening (3 phases)
     - ✓ Vine Street widening, 22nd – 27th
     - ✓ Antelope Valley, 19th Street, K – Q
     - ✓ Storm Water management, Phases I – III
     - ✓ Vine Street bridge replacement
     - ✓ Salt Valley trunk sewer phase III
     - ✓ Pine Lake Road widening, 40th – 59th
     - ✓ South 27th Street, porter Ridge Road to South of Yankee Hill Road
     - ✓ Arterial rehab projects, South 56th Street, Old Cheney to Yankee Hill Road
     - ✓ Pioneers Boulevard widening, 70th - 84th
     - ✓ Sewer District 1175
     - ✓ Special assessment and executive order projects
     - ✓ Various projects in Public Works/Utilities 6-year program
     - ✓ Other Parks and Recreation projects city-wide
     - ✓ Title research of water transmission – Lincoln to Ashland
  3) Acquisition and disposition of surplus properties including tax sale lots, street and alley vacation, surplus park sites, surplus right-of-way, and other miscellaneous properties
  4) Relocation projects including Antelope Valley Storm Management, Transportation, and Community Revitalization

- Neighborhood Revitalization projects include: Focus Areas – Implementation of focus area public improvements. The focus areas are located in the Woods Park, Near South, Malone, Everett, Clinton, Downtown, North Bottoms and South Salt Creek neighborhoods.

- The Workforce Investment Act (WIA) is federal legislation which took effect on July 1, 2000. Under this legislation, Mayor Coleen J. Seng is the designated Chief Elected Official working in conjuction with a 49 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 which was approved by the State of Nebraska.

  WIA has provided nearly $3 million over the last four years to the workforce investment area of Lancaster and Saunders Counties. Gold's Galleria, located in downtown Lincoln, is the site of the One Stop Career Center. Since 2000, the number of program partners providing access to services through the One Stop Center has increased from 5 to 21. And in the past year, over 22,000 customer visits have been made to the Center.

Antelope Valley Project

The City of Lincoln, Lower Platte South Natural Resources District and the University of Nebraska-Lincoln have jointly partnered with the Lincoln community to develop a set of strategies to strengthen the historical center of Nebraska's Capital City. The new stormwater, transportation and community revitalization strategies have been incorporated into the Antelope Valley Amended Draft Single Package and formally approved by all three of the sponsoring governmental entities. The Joint Antelope Valley Authority (JAVA) has also submitted an Environmental Impact Statement (EIS) proposing defined projects as the action that best satisfies the purposes and needs with the least adverse environmental impacts. The EIS was approved by a Record of Decision by the Federal Highway Administration on October 31, 2001.

When implemented the Antelope Valley Projects will provide significant benefits to the State of Nebraska. Recognizing these benefits, the State Legislature authorized and appropriated one million dollars each state fiscal year, for a period of 15 years, to the City of Lincoln to fund the various projects. The City is required to provide matching funds equal to the ratio of one dollar for each three dollars of the State distribution.

The Antelope Valley Projects include community revitalization strategies in the project area and the implementation of the Closer to Home Strategies, developed by neighborhood residents and the City's Urban Development Department, which includes street, alley, and curb improvements, housing rehabilitation, and neighborhood clean-ups. Additional community revitalization strategies will be further defined as part of the Redevelopment Plan process, and will include housing relocation, commercial development and strategies to further strengthen existing neighborhoods.

Other projects identified are the construction of the approximately 6.2 mile Antelope Valley Roadway, which includes an overpass over the mainline railway west of the Bob Devaney Center, an expanded 19th Street corridor, changing some streets from minor arterials to urban collectors and local streets, and reduction of the rail/vehicular/pedestrian conflicts at street crossings.

Also included is the implementation of the Antelope Valley flood control project by constructing a new, open channel to contain the waters of a designated "100-year" rainfall event. The new channel will be developed in a park-like atmosphere and a trail will be constructed along the length of the channel.

Work is nearly complete on two projects that are part of the overall Antelope Valley Project. The Northeast Community Park project, located near 32nd and Leighton Streets, began in July 2003. This park, which will be ready for play in Spring 2004, provides replacement ball fields for those University fields at 19th and Vine Streets that will be displaced due to the channel and roadway construction. Work began in January 2003 and was substantially completed in November 2003 on the first section of channel work between Salt Creek and the BNSF Railway.

Work began in September 2003 on the Military Bridge and Roadway Project. This project will provide a single intersection of 14th Street, Military Road and the State Fair Park entrance, which becomes the new main entrance.

Work also began in September 2003 on the "Y" Street Bridge and Roadway Project. This project provides a new connection of "Y" Street to 16th Street and provides a new routing of 17th Street in preparation for the new overpass over the BNSF Railway south of the Devaney Center.

The Vine Street Bridge and Roadway Project is advertised and scheduled for letting in January 2004.

Wastewater System

The Lincoln Wastewater System is projecting a capital improvements program in the amount of approximately $114,517,000 over the 6-year period of Fiscal Year 2003-04 through Fiscal Year 2008-09. Of that total, approximately $40,000 will be financed by developer contributions, approximately $100,000,000 will be financed by revenue bonds, approximately $2,140,000 will be financed by impact fees, with the remaining $12,337,000 to come from charges for services. 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 $100,719,000 over the 6-year period of Fiscal Year 2003-04 through 2008-09. Of these dollars, approximately $85,000,000 will be financed through revenue bonds, approximately $494,000 will be financed through developer contributions, approximately $4,330,000 will be financed through impact fees, with the balance of $10,895,000 coming from charges for services. 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 2004-2009 Streets and Highways capital improvements program and Transportation improvement program identify average annual expenditures of over $82.3 million for the next six years. Funding for these projects includes $153 million in City revenues, $92 million in federal aid, and $249 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. Under the City's current 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.

Internal Accounting Controls

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or dispositions, and the reliability of financial records for preparing financial statements in accordance with generally accepted accounting principles 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.

Several major internal controls within the Finance Department affect transactions from all City departments. The City Charter requires the City Controller to audit all departmental expenditures as to documentation, coding, etc., after they have been approved by the responsible department head. A monthly reconciliation is made between the City's accounting system and the Treasurer's Office. The Purchasing Ordinance requires that all purchase requisitions must include certification by the Director of the ordering department that money has been appropriated for that purpose. The City has a fixed asset system which includes monitoring acquisition and disposition of fixed assets. In addition to these major controls, there are numerous controls within the various departments. The above is not all-inclusive of the City's internal accounting controls, but serves to support management's belief that controls are adequate to safeguard assets and provide reasonable assurance of proper recording of financial transactions.

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. This internal control structure is subject to periodic evaluation by management of the City.

As part of the City's Single Audit, tests were made of the City's internal control structure 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, 2003, disclosed no material internal control weaknesses.

Accounting System And Budgetary Control

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/net assets, revenues, and expenses/expenditures. More information on descriptions of each fund and the accounting principles applied to each fund type is included in the Financial Section.

Budgetary control is maintained at the department level by the encumbrance of balances with purchase orders prior to payment to vendors. Purchase orders which result in an overrun of department balances are not released until additional appropriations are made available. Open encumbrances are reported as reservations of fund balance at August 31, 2003. Except for certain Special Revenue, Debt Service, and Capital Projects Funds, budgets for Governmental Type Funds are adopted annually. Capital Project Funds are budgeted by project and appropriations are continuing appropriations through completion of the project. Enterprise, Internal Service and Pension Trust Fund budgets are adopted annually.

As demonstrated by the statements and schedules included in the Financial Section of this report, the City continues to meet its responsibility for sound financial management.

Property Tax Collections

As of August 31, 2003, current tax collections by the County Treasurer were 96.20% of the tax levy, a decrease of .15% from last year. Allocations of property tax levy by purpose are as follows:

City Tax Levy By Purpose	2002-2003	2001-2002	2000-2001
General Fund	.17570	.17798	.18692
Library	.05345	.05219	.04673
Social Security	.01616	.01527	.01576
Police And Fire Pension	.01492	.01261	.01090
General Obligation Debt	.05429	.05647	.06356

Parking Facilities

The City of Lincoln operates the following parking garages:

	Number of Stalls	Date Opened
Center Park	1,048	November, 1978
Cornhusker Square	405	December, 1983
University Square	436	April, 1990
Que Place	700	October, 1994
Carriage Park	710	February, 1995
Market Place	430	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:

	2002-2003	2001-2002
Operating Revenue	$ 5,035,564	4,347,985
Operating Income Before Depreciation	2,730,932	2,383,596
On-Street Parking Meter Revenue	835,000	935,000
Revenue Available For Debt Service	3,565,932	3,318,596
Debt Service	2,160,650	2,160,650
Debt Service Coverage Ratio	1.65	1.54

Sanitary Landfill

The City of Lincoln owns and operates a solid waste disposal area and a construction and demolition disposal area which 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, 2003, the City estimates that it will incur costs approximating $13.5 million to adhere to such requirements (see Note 17 of Notes to the Financial Statements).

Water And Wastewater System

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

Water System	2002-2003	2001-2002
Operating Revenue	$20,883,159	22,064,404
Operating Income	3,855,663	5,459,267
Revenue Available For Debt Service	9,902,469	11,213,356
Debt Service	5,908,489	4,990,590
Debt Service Coverage Ratio	1.68	2.25

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

Wastewater System	2002-2003	2001-2002
Operating Revenue	$14,691,905	15,026,486
Operating Income	1,486,755	2,366,636
Revenue Available For Debt Service	6,699,374	7,099,462
Debt Service	1,299,222	1,309,347
Debt Service Coverage Ratio	5.16	5.42

Lincoln Electric System (LES)

The City owns and operates its own electric utility system which 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 2.55.090 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, 2002, is included in the City's August 31, 2003, financial statements.

Cash Management

Cash balances in excess of current requirements are invested in interest-bearing deposits and other securities. During the 2002-2003 fiscal year, 99.58% of available funds were invested with an average yield on investments of 2.40%. Note 4 of Notes to the Financial Statements discloses the City's investment policies and the manner in which these investments are held.

Risk Management

The City's Risk Management Division is responsible for the administration of insurance and self-insurance loss control, wellness, benefits, claims administration and collections to control and finance the City's loss exposures. Responsibilities include researching insurance markets, preparing bid specifications and cost-effectively purchasing coverage; reviewing coverage; budgeting annual costs and maintaining actuarial soundness of self-insured claims funds; administering self-insured claims programs in a cost effective manner; and increasing City effectiveness in subrogation/collection recoveries, along with leading the City's safety/loss control and wellness efforts. The City has a high self-insured retention for workers' compensation and general liability, and is totally self-insured for employee long-term disability. The City also has some liability exposures related to public officials, property, law enforcement, auto, and public transportation. These programs remain successful for the City. Since implementation, the self-insurance programs have provided the City considerable savings compared to fully insuring all loss exposures.

Independent Audit

The City Charter requires an annual audit to be made of all City funds and accounts by independent certified public accountants selected by the City Council. The federal government, under the revised OMB Circular A-133, and the Single Audit Act of 1984 as amended by the Single Audit Act Amendments of 1996, requires local governments that expend $300,000 or more in federal funds in any fiscal year to have a financial and compliance audit performed. Through the efforts of the Finance Department staff and staff from the Public Works and Urban Development Departments, the City was able to accommodate the federal government's single audit requirements for grants.

Certificate Of Achievement

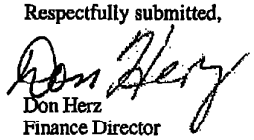
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lincoln, Nebraska, for its comprehensive annual financial report for the fiscal year ended August 31, 2002. This was the twentieth 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,



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, 2002

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

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Independent Accountants' Report on Financial Statements and Supplementary Information

The Honorable Mayor
and Members of 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, 2003, which collectively comprise the City of Lincoln's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Lincoln'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 56%, 33% and 72%, 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, 2002, which were audited by other accountants whose report dated January 3, 2003, 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 and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the 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 as of August 31, 2003, 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.

Solutions for Success

The accompanying management's discussion and analysis and the schedules of funding progress and employer contributions included in *Note* 13 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.

BKD, LLP

January 5, 2004

A member of Moores Rowland International

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, 2003. Please consider this discussion in conjunction with the additional information provided in the Letter of Transmittal (beginning on page viii) and the transactions, events and conditions reflected in the City's financial statements (beginning on page 18).

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at August 31, 2003, by $1,137,728,137 (net assets). Of this amount, $106,001,074 (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 $64,752,048. Of this amount $38,173,456, or 59 percent, was an increase in governmental activities and $26,578,592, or 41 percent, related to business-type activities.
- As of August 31, 2003, the City's governmental funds reported combined ending fund balances of $161,941,273, a decrease of $8,606,153 in comparison with the prior year. Over half of this total amount, $92,075,164, is available for spending at the City's discretion (unreserved fund balance).
- As of August 31, 2003, unreserved fund balance for the general fund was $35,987,302, or 44 percent of total general fund expenditures.
- The City's total bonded debt increased by $67,244,000 (13 percent) during the current fiscal year. The key factor in this increase was the issuance of $55,000,000 in revenue bonds by Lincoln Wastewater 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, 2003. 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; sanitary landfill; golf courses; auditorium; and parking.

The government-wide financial statements can be found on pages 18-19 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 government-wide activities.

The City maintains forty 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, the Federal Grants fund, and the Community Health Permanent Endowment 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 20-27 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; sanitary landfill; 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 29-31 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 32-33 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 35-68 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. Required supplementary information can be found on page 60 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 $1,137,728,137 at August 31, 2003.

By far the largest portion of the City's net assets (76 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, 2003 and 2002

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Current and Other Assets	$ 239,136,689	223,316,292	297,306,590	308,555,656	536,443,279	531,871,948
Capital Assets	403,421,755	372,780,466	953,099,888	855,103,760	1,356,521,643	1,227,884,226
Total Assets	642,558,444	596,096,758	1,250,406,478	1,163,659,416	1,892,964,922	1,759,756,174
Long-Term Liabilities Outstanding	87,165,314	82,430,754	591,870,462	509,299,026	679,035,776	591,729,780
Other Liabilities	23,450,856	19,897,186	52,750,153	75,153,119	76,201,009	95,050,305
Total Liabilities	110,616,170	102,327,940	644,620,615	584,452,145	755,236,785	686,780,085
Net Assets:						
Invested in Capital Assets, Net of Related Debt	353,228,671	321,761,052	513,682,743	476,054,560	866,911,414	797,815,612
Restricted	111,928,216	101,499,367	52,887,433	47,701,632	164,815,649	149,200,999
Unrestricted	66,785,387	70,508,399	39,215,687	55,451,079	106,001,074	125,959,478
Total Net Assets	$ 531,942,274	493,768,818	605,785,863	579,207,271	1,137,728,137	1,072,976,089

An additional portion of the City's net assets (15 percent) represents resources that are subject to external restrictions on their use. The remaining balance of unrestricted net assets (9 percent) may be used to meet the government's ongoing obligations to citizens and creditors.

At August 31, 2003, 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 Statement of Activities
For the Years Ended August 31, 2003 and 2002

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Revenues:						
Program Revenues:						
Charges for Services	$ 32,413,754	33,708,219	219,247,308	214,711,471	251,661,062	248,419,690
Operating Grants and Contributions	44,670,484	47,775,520	294,915	3,296	44,965,399	56,864,603
Capital Grants and Contributions	32,549,986	31,715,049	7,538,876	6,073,286	40,088,862	28,702,548
General Revenues:						
Property Taxes	36,389,326	34,991,750	-	-	36,389,326	34,991,750
Sales and Use Tax	49,010,546	47,049,405	-	-	49,010,546	47,049,405
Other Taxes	20,190,242	20,414,161	565,790	-	20,756,032	20,414,161
Unrestricted Grants and Contributions	2,970,754	3,425,878	-	-	2,970,754	3,425,878
Investment Income	1,351,346	3,495,539	5,045,047	5,239,848	6,396,393	8,735,387
Other	1,478,257	1,407,755	164,763	353,338	1,643,020	1,761,093
Total Revenues	221,024,695	223,983,276	232,856,699	226,381,239	453,881,394	450,364,515
Expenses:						
General Government	26,781,326	23,530,070	-	-	26,781,326	23,530,070
Public Safety	60,312,147	58,784,389	-	-	60,312,147	58,784,389
Streets and Highways	21,627,658	21,073,128	-	-	21,627,658	21,073,128
Culture and Recreation	23,183,517	21,219,904	-	-	23,183,517	21,219,904
Economic Opportunity	18,803,783	14,097,457	-	-	18,803,783	14,097,457
Health and Welfare	17,232,211	18,133,340	-	-	17,232,211	18,133,340
Mass Transit	8,526,212	8,176,390	-	-	8,526,212	8,176,390
Equipment Management	580,423	906,227	-	-	580,423	906,227
Engineering Services	2,517,342	1,810,386	-	-	2,517,342	1,810,386
Interest and Fiscal Charges on Debt	3,510,748	2,680,738	-	-	3,510,748	2,680,738
Parking	-	-	4,512,610	3,914,224	4,512,610	3,914,224
Golf Courses	-	-	3,064,867	2,785,793	3,064,867	2,785,793
Auditorium	-	-	2,341,886	2,303,780	2,341,886	2,303,780
Sanitary Landfill	-	-	4,390,601	5,428,560	4,390,601	5,428,560
Ambulance Transport	-	-	3,905,011	3,518,764	3,905,011	3,518,764
Wastewater	-	-	13,205,150	12,659,850	13,205,150	12,659,850
Water	-	-	19,144,465	18,206,099	19,144,465	18,206,099
Electric	-	-	155,489,000	161,026,000	155,489,000	161,026,000
Total Expenses	183,075,367	170,412,029	206,053,590	209,843,070	389,128,957	380,255,099
Increase in Net Assets Before Transfers	37,949,328	53,571,247	26,803,109	16,538,169	64,752,437	70,109,416
Transfers	224,128	1,104,289	(224,517)	(1,087,038)	(389)	17,251
Increase in Net Assets	38,173,456	54,675,536	26,578,592	15,451,131	64,752,048	70,126,667
Net Assets - Beginning	493,768,818	439,093,282	579,207,271	563,756,140	1,072,976,089	1,002,849,422
Net Assets - Ending	$ 531,942,274	493,768,818	605,785,863	579,207,271	1,137,728,137	1,072,976,089

GOVERNMENTAL ACTIVITIES

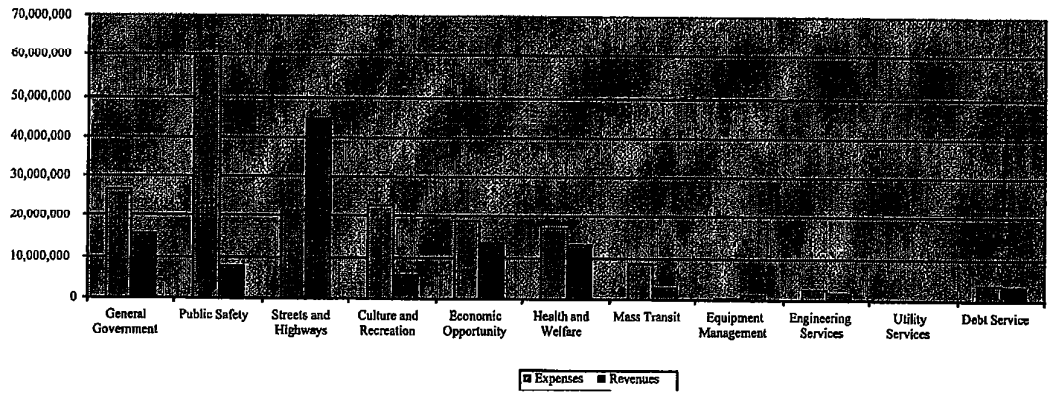
Governmental activities increased the City's net assets by $38,173,456, accounting for 59 percent of the total growth in the net assets of the City of Lincoln. Key elements of this increase are as follows:

- Property taxes increased by approximately $1.4 million (4 percent) during 2003. The value created by new growth (improvements, new construction, additions of new property, and annexations) in the tax base was 3.2%, prior to the revaluation of property. Total growth in the tax base, which includes revaluations and other adjustments, was 3.8%. As a result of these percentages being so similar, the tax rate remained unchanged for the 2003 fiscal year.

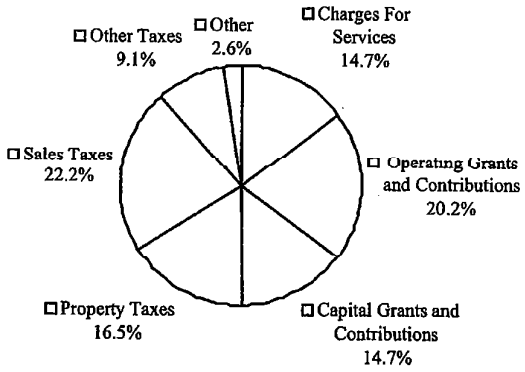
- Net sales and use tax increased by approximately $2 million (4 percent) during 2003. Legislation passed by the Nebraska Legislature expanded the sales tax base to include certain services. The City expected sales tax revenues to increase 1.5% due to this tax base expansion.

- Capital contributions increased as a direct result of donations of land for the Joint Antelope Valley Authority (JAVA) projects, contributed to the City's share of equity in JAVA.

Expenses and Program Revenues - Governmental Activities



Revenues By Source - Governmental Activities



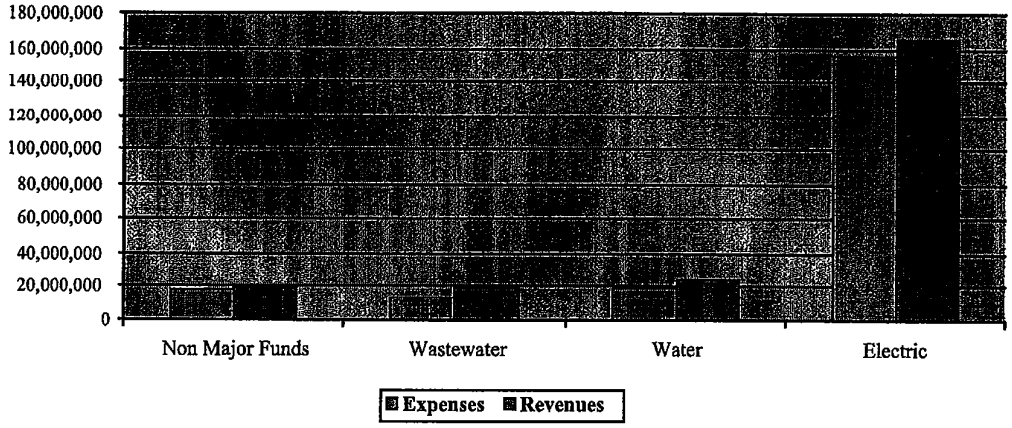
BUSINESS-TYPE ACTIVITIES

Business-type activities increased the city's net assets by $26,578,592, accounting for 41 percent of the total growth in the government's net assets. Key elements of this increase are as follows:

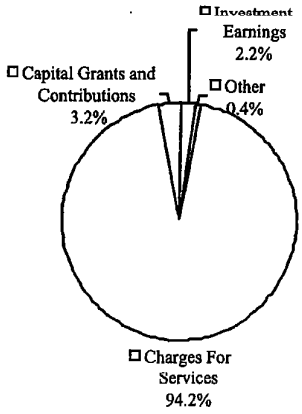
- Charges for services increased by approximately $4.5 million, or 2.1 percent. The Water System revenues decreased 5.35 percent due to a reduction of 904,861 hundred cubic feet in water sales from the previous year. Water usage for 2003 more closely reflects an average year usage during normal weather conditions. Wastewater revenues are also based on water usage. Total water pumpage for fiscal year 2003 was 938,430,000 gallons less than the prior year which results in a 2.23 percent decrease in Wastewater revenues. Revenues increased 4 percent for the Electric System due to increases in both residential and commercial revenues. Cooling and heating degree days were above the prior year. Growth in the City remains constant with 2% more customers in 2002.

- Lincoln Electric System (LES) operating expenses for 2002 were 5% below 2001 with power costs and administrative and general expenses providing most of the change. A settlement agreement between Nebrasks Public Power District and LES related to the Power Sales Agreement for Cooper Nuclear Station was completed and signed by officials of both parties in 2002. The decommissioning fund liability established by LES was used to reduce power costs by $4.8 million after the settlement. Administrative and general expense in 2002 was well below 2001 because the litigation cost written off in 2001 related to Cooper Nuclear Station increased the 2001 expenses by $4.8 million. Offsetting this expense was an increase in 2002 for health and risk insurance costs.

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, 2003, the City's governmental funds reported combined ending fund balances of $161,941,273, a decrease of $8,606,153 in comparison with the prior year. Of this total amount, 57 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:

- liquidate contracts and purchase orders of the prior period ($15,985,316),
- pay debt service ($13,069,991),
- 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 ($3,810,802).

The General Fund is the chief operating fund of the City. At August 31, 2003, the unreserved fund balance of the General Fund was $35,987,302, while total fund balance reached $37,116,790. 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 44 percent of total general fund expenditures, while total fund balance represents 46 percent of that same amount.

The fund balance of the City's General Fund decreased by $1,014,271 during 2003. This reduction is the result of several factors, including the following:

- A planned reduction in the General Fund balance of $3.0 million.
- Favorable variance of $1.0 million in sales tax revenues.
- Favorable variance of $1.9 million in expenditures.
- Timing differences between the appropriation and expenditure of construction projects funded by the General Fund.

The planned reduction in the fund balance of the General Fund is in compliance with City policy to appropriate balances that are in excess of 20 percent of the ensuing fiscal year's General Fund budget. This is accomplished by appropriating any excess over a 5-year period.

The Street Construction Fund had a total fund balance of $14,797,623, which is to be used in the construction and maintenance of street and highways. The net decrease in fund balance during 2003 in the Street Construction Fund was $8,043,301. This decrease was anticipated as a result of the Public Works Department's strategy to increase its capital construction program and to implement the acceleration of the awarding of construction contracts. An additional factor is the City's involvement in the Joint Antelope Valley projects and the related capital contributions made.

The Federal Grants Fund had a fund deficit of $(1,051,304). Expenditures in the fund increased by $2,651,616 (14 percent) over 2002, due in part to new programs, including Holmes Lake Restoration, East Saline Wetlands, and the Northbridge Center.

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 $8,551,252, $5,792,954, $20,459,000 and $4,412,481, respectively, at August 31, 2003. 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 $107,041 in appropriations) and can be briefly summarized as follows:

- $(61,125) in miscellaneous decreases in general government activities.
- $267 in increases allocated to police.
- $46,700 in increases allocated to traffic engineering.
- $(26,664) in decreases allocated to street maintenance.
- $(34,360) in decreases allocated to parks and recreation.
- $182,223 in increases allocated for General Fund transfers to other City funds.

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

- $1,193,286 positive variance in property taxes. Actual property tax collections were 96% for the 2002 levy, while estimated tax revenue is based on 90% collections as provided by the City Charter.
- $1,045,072 positive variance in sales taxes. Projected collections for 2002 reflect a 4.8% increase over prior year collections, while 2002 actual collections on a budget basis increased by 7.2% due to an improving local economy, an expansion of the sales tax base to include additional services, and reduced refunds under the business incentive provisions of LB775.
- $1,946,065 positive variance in general government/miscellaneous function expenditures. This variance was the result of better than anticipated insurance costs and contingency funds left unspent.

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, 2003, amounts to $1,356,521,643 (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 2003 was 10 percent (an 8 percent increase for governmental activities and a 11 percent increase for business-type activities).

Major capital asset events during 2003 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, the construction-in-progress as of August 31, 2003, reached $63,780,408.
- Construction of the Salt Valley Generating Station (SVGS) provided $71 million to the construction work-in-progress, in addition to local construction related to an expanding customer base. The SVGS project represents a total of 165 megawatts of peaking and base load generation utilizing natural gas as the base fuel in a simple cycle and combined cycle operation.

- Wastewater System capital assets increased by $14,121,276 due to major project additions such as:

  - ✓ Theresa Street aeration improvements - $4,542,288
  - ✓ Northeast treatment plant solids screen - digester modifications - $1,829,762
  - ✓ Salt Creek relief sewer - $1,131,121
  - ✓ Theresa Street treatment plant grit removal basin - $1,250,485
  - ✓ Northeast treatment plant disinfection improvements - $1,047,733

- Water System capital assets increased by $5,696,537 due to major project additions such as:

  - ✓ 84th & Pine Lake floating storage reservoir - $1,053,158
  - ✓ 16th & 'A'/Coddington & Van Dorn 30" water main - $1,366,237
  - ✓ East 'O' Street water main replacement - $158,197
  - ✓ 84th/Cheney Ridge Road to Highway 2 water main - $1,555,076

City Of Lincoln
Capital Assets (net of depreciation)
August 31, 2003 and 2002

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	$ 40,506,899	37,810,841	14,371,950	14,185,253	54,878,849	51,996,094
Buildings	41,084,650	42,017,061	126,330,190	123,066,708	167,414,840	165,083,769
Improvements Other Than Buildings	31,285,551	31,967,261	231,820,817	225,201,069	263,106,368	257,168,330
Machinery and Equipment	28,980,115	29,958,223	10,462,767	10,731,801	39,442,882	40,690,024
Utility Plant	-	-	405,775,000	396,247,000	405,775,000	396,247,000
Infrastructure	191,786,564	171,464,392	-	-	191,786,564	171,464,392
Construction-in-progress	69,777,976	59,562,688	164,339,164	85,671,929	234,117,140	145,234,617
Total	$ 403,421,755	372,780,466	953,099,888	855,103,760	1,356,521,643	1,227,884,226

Additional information on the City's capital assets can be found in Note 7 of the notes to the financial statements on pages 49-51 of this report.

LONG-TERM DEBT

At August 31, 2003, the City of Lincoln had total bonded debt outstanding of $571,889,000. Of this amount, $61,554,000 comprises debt backed by the full faith and credit of the City and $205,000 is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. 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
(dollar amounts in thousands)
August 31, 2003 and 2002

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
General Obligation Bonds	$ 61,554	56,687	-	-	61,554	56,687
Special Assessment Debt With Governmental Commitment	205	310	-	-	205	310
Tax-supported Revenue Bonds	10,810	11,080	-	-	10,810	11,080
Revenue Bonds	-	-	499,320	436,568	499,320	436,568
Total	$ 72,569	68,077	499,320	436,568	571,889	504,645

The City's total debt increased by $67,244,000 (13 percent) during 2003. The key factor in this increase was the issuance of $55,000,000 in revenue bonds by Lincoln Wastewater System to refund $4,560,000 of outstanding 5% debt and to provide approximately $48,000,000 of additional construction funds.

The City also issued $19,305,000 in various purpose bonds to finance $10,000,000 of drainage improvements and to refund $8,305,000 of certain outstanding various purpose bonds of the City; $18,510,000 of Water Revenue bonds to provide additional construction funds; and $32,180,000 of Water Revenue Refunding bonds to pay off $37,810,00 of 4.8% - 5.3% debt.

In an effort to reduce the borrowing costs for LES, a refunding issue of $148,000,000 was completed to refund $136,000,000 of 1993 Revenue Bonds and convert $20,000,000 of commercial paper to long-term revenue bonds. With historically low interest rates, LES was able to obtain a true interest cost of 3.7% on the entire bond sale and total savings of $23,000,000 in interest costs over the life of the bonds. Other commercial paper activity included converting $34,000,000 taxable commercial paper to tax-exempt commercial paper. With $35,000,000 of commercial paper capacity available, most smaller projects can be initially funded with this capacity.

The City maintains the following credit ratings:

	Moody's Investors Service	Standard And Poor's	Fitch Investors Service
General Obligation Bonds	Aaa	AAA	
Municipal Infrastructure Redevelopment Fund Bonds	Aa2	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	
Electric Revenue :			
1993 Bonds	Aa2	AA+	AA
1998 Bonds	Aa2	AA	AA
2001 Bonds	Aa2	AA	AA
2002 Bonds	Aa2	AA	AA
Commercial Paper – tax exempt		A1+	F1+
Commercial Paper – taxable	MIG 1	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 52-57 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The County Assessor's office has completed a countywide revaluation of real property for the 2003-2004 fiscal year, which resulted in significant increases in valuations of real property. The increase in the City's property tax base provided by real growth is estimated at 4.51% for 2004. Total growth, including revaluations of current property, is estimated at 14.5%.
- Sales tax collections increased by 4% over the past year, with current collections through December 2003 showing a 3% increase over the same period in 2002. The sales tax base has been further expanded by the Nebraska Legislature to include additional services. Sales tax collections have been positvely impacted by by an improving local economy, a modest expansion of the sales tax base, and reduced refunds under the business incentive provisions of LB775.
- Occupation tax revenues are expected to increase 10.8% in 2004 due to amounts collected from the telecommunications occupation tax, with much of the growth related to cell phone revenue.
- In lieu of tax – State is expected to decrease 37.2% due to the State of Nebraska reducing payments by 10% proposed in the Governor's budget plus another lump sum reduction adopted by the Legislature. In addition, the Legislature eliminated payment from the Municipal Equalization Rollover Fund in order to the keep the revenue for the State.

- Increase of 911 Surcharge on phone lines from $.50 to $.75 per month effective January 1, 2004. Revenue is used for operations as well as capital improvements.

- A 3% water rate increase and a 7% wastewater rate increase were adopted by the City Council.

All of these factors were considered in preparing the City's budget for the 2004 fiscal year.

During 2003, unreserved fund balance in the general fund increased to $35,987,302. The City of Lincoln has appropriated $6,272,137 of this amount for spending in the 2004 fiscal year budget. The use of available fund balance aids the City in avoiding the need to raise property taxes during 2004.

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, 2003
With Summarized Financial Information as of August 31, 2002

	Governmental Activities	Business Activities	Totals 2003	Totals 2002
ASSETS				
Cash and Cash Equivalents	$ 22,233,194	17,787,835	40,021,029	85,015,463
Investments	106,578,146	31,480,712	138,058,858	136,190,571
Invested Securities Lending Collateral	7,414,973	-	7,414,973	7,653,943
Receivables, (Net of Allowance for Uncollectibles)	14,071,075	27,192,052	41,263,127	38,008,672
Internal Balances	1,054,546	(1,054,546)	-	-
Due from Other Governments	20,649,249	4,004	20,653,313	25,118,687
Inventories	1,538,324	6,954,746	8,493,070	8,371,715
Plant Operation Assets	-	3,784,000	3,784,000	4,073,000
Prepaid Items	394,791	724,559	1,119,350	1,107,585
Deferred Charges and Other Assets	1,234,861	19,991,890	21,226,751	25,290,698
Restricted Assets:				
Cash and Cash Equivalents	18,433	744,847	763,280	7,896,461
Investments	37,235,065	189,396,829	226,631,894	191,010,368
Receivables	416	299,602	300,018	191,101
Net Pension Asset	-	-	-	374,000
Investment in Joint Venture	26,713,616	-	26,713,616	1,569,684
Capital Assets:				
Non-depreciable	110,284,875	178,711,114	288,995,989	197,230,711
Depreciable (Net)	293,136,880	774,388,774	1,067,525,654	1,030,653,515
Total Assets	642,558,444	1,250,406,478	1,892,964,922	1,759,756,174
LIABILITIES				
Accounts Payable	8,608,467	17,394,579	26,003,046	19,586,962
Accrued Liabilities	4,586,844	8,728,590	13,315,434	11,664,851
Due to Other Governments	1,156,644	98,690	1,255,334	534,998
Unearned Revenue	965,852	127,676	1,093,528	1,333,451
Obligations under Securities Lending	7,414,973	-	7,414,973	7,653,943
Other Liabilities	613,826	5,866,361	6,480,187	5,909,122
Notes Payable	-	-	-	34,710,000
Matured Bonds and Interest Payable	104,250	-	104,250	104,250
Liabilities Payable from Restricted Assets	-	20,534,257	20,534,257	13,542,728
Noncurrent Liabilities:				
Compensated Absences:				
Payable within One Year	5,148,645	714,499	5,863,144	5,472,096
Payable in More Than One Year	2,108,277	284,576	2,392,853	2,340,392
Claims and Judgements:				
Payable within One Year	2,429,390	-	2,429,390	2,692,407
Payable in More Than One Year	2,714,445	-	2,714,445	2,814,937
Bonds, Notes and Leases Payable:				
Due within One Year	4,939,229	19,049,612	23,988,841	21,315,188
Due in More Than One Year	69,695,323	565,458,775	635,154,098	547,254,760
Deferred Credits and Other	-	119,000	119,000	3,274,000
Net Pension Obligation	130,000	-	130,000	-
Accrued Landfill Closure/Postclosure Care Costs	-	6,244,000	6,244,000	6,566,000
Total Liabilities	110,616,170	644,620,615	755,236,785	686,780,085
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	353,228,671	513,682,743	866,911,414	797,815,612
Restricted for:				
Debt Service, Net of Related Debt	15,127,340	24,181,259	39,308,599	44,077,645
Revenue Bond Indentures	-	-	-	15,645,422
Capital Projects	50,376,033	28,679,274	79,055,307	44,848,514
Other	793,575	26,900	820,475	73,896
Trust Donations:				
Expendable	1,472,719	-	1,472,719	1,201,549
Nonexpendable	160,000	-	160,000	-
Health Care:				
Expendable	6,998,549	-	6,998,549	5,624,910
Nonexpendable	37,000,000	-	37,000,000	37,000,000
Claims	-	-	-	729,063
Unrestricted	66,785,387	39,215,687	106,001,074	125,959,478
Total Net Assets	$ 531,943,274	605,785,863	1,137,728,137	1,072,976,089

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, 2003
With Summarized Financial Information for the Year Ended August 31, 2002

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals 2003	Totals 2002
Functions/Programs								
Governmental Activities:								
General Government	$ (26,781,326)	13,883,872	1,394,727	275,995	(11,226,732)	-	(11,226,732)	(5,255,067)
Public Safety	(60,312,147)	5,797,146	1,993,502	-	(52,521,499)	-	(52,521,499)	(49,374,995)
Streets and Highways	(21,627,658)	881,255	14,765,589	29,364,289	23,383,475	-	23,383,475	22,635,891
Culture and Recreation	(23,183,517)	2,700,504	1,830,608	1,165,240	(17,487,165)	-	(17,487,165)	(17,027,717)
Economic Opportunity	(18,803,783)	2,334,074	11,220,969	22,926	(5,225,814)	-	(5,225,814)	(2,876,105)
Health and Welfare	(17,232,211)	2,735,248	10,457,143	-	(4,039,820)	-	(4,039,820)	(5,843,878)
Mass Transit	(8,526,212)	1,278,920	1,489,957	-	(5,757,335)	-	(5,757,335)	(1,005,394)
Equipment Management	(580,423)	814,316	-	323,108	557,001	-	557,001	(94,372)
Engineering Services	(2,517,342)	1,665,483	-	-	(851,859)	-	(851,859)	268,752
Utility Services	-	77,575	-	-	77,575	-	77,575	-
Interest on Long-Term Debt	(3,510,748)	245,361	1,517,989	1,398,428	(348,970)	-	(348,970)	1,359,644
Total Governmental Activities	(183,075,367)	32,413,754	44,670,484	32,549,986	(73,441,143)	-	(73,441,143)	(57,213,241)
Business-Type Activities:								
Parking Lots	(184,222)	208,292	-	-	-	24,070	24,070	15,774
Golf	(3,064,867)	2,589,583	-	184,863	-	(290,421)	(290,421)	(4,909)
Parking Facilities	(4,328,388)	5,033,157	-	-	-	704,769	704,769	618,094
Municipal Auditorium	(2,341,886)	1,712,114	-	-	-	(629,772)	(629,772)	(494,160)
Sanitary Landfill	(4,390,601)	5,299,047	-	106,575	-	1,015,021	1,015,021	209,426
Emergency Medical Services	(3,905,011)	3,923,268	-	-	-	18,257	18,257	375,336
Wastewater System	(13,205,150)	14,665,990	178,100	4,185,547	-	5,824,487	5,824,487	4,302,656
Water System	(19,144,465)	20,841,857	116,815	3,061,891	-	4,876,098	4,876,098	7,533,766
Electric System	(155,489,000)	164,974,000	-	-	-	9,485,000	9,485,000	(1,611,000)
Total Business-Type Activities	(206,053,590)	219,247,308	294,915	7,538,876	-	21,027,509	21,027,509	10,944,983
Total Primary Government	$ (389,128,957)	251,661,062	44,965,399	40,088,862	(73,441,143)	21,027,509	(52,413,634)	(46,268,258)
	General Revenues:							
	Property Tax				36,389,326	-	36,389,326	34,991,750
	Motor Vehicle Tax				3,823,011	-	3,823,011	3,589,367
	Wheel Tax				7,767,169	-	7,767,169	7,758,565
	Sales and Use Tax				49,010,546	-	49,010,546	47,049,405
	Sundry and In Lieu Tax				44,810	-	44,810	45,685
	Occupation Tax				8,555,252	565,790	9,121,042	9,020,544
	Unrestricted Grants and Contributions				2,970,754	-	2,970,754	3,425,878
	Unrestricted Investment Earnings				1,351,346	5,045,047	6,396,393	8,735,387
	Miscellaneous General Revenues				405,066	92,258	497,324	696,846
	Gain on Sale of Capital Assets				1,073,191	72,505	1,145,696	1,064,247
	Transfers				224,128	(224,517)	(389)	17,251
	Total General Revenues and Transfers				111,614,599	5,551,083	117,165,682	116,394,925
	Change in Net Assets				38,173,456	26,578,592	64,752,048	70,126,667
	Net Assets - Beginning				493,768,818	579,207,271	1,072,976,089	1,002,849,422
	Net Assets - Ending				$ 531,942,274	605,785,863	1,137,728,137	1,072,976,089

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

CITY OF LINCOLN, NEBRASKA
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2003

	General Fund	Street Construction Fund	Federal Grants Fund	Community Health Permanent Endowment Fund	Other Governmental Funds	Total
ASSETS						
Cash and Cash Equivalents	$ 5,192,376	1,930,240	-	118,486	12,050,789	19,291,891
Investments	21,868,676	10,322,097	-	43,797,878	54,550,837	130,539,488
Invested Securities Lending Collateral	-	-	-	7,414,973	-	7,414,973
Receivables, (Net of Allowance for Uncollectibles)	3,857,568	3,011,351	2,768	3,534	6,390,211	13,265,432
Due from Other Funds	1,072,073	-	-	-	797,213	2,469,286
Due from Other Governments	9,490,492	7,258,454	2,256,613	-	1,356,430	20,361,989
Assets Held for Resale	-	-	-	-	793,575	793,575
Inventories	317,898	45,812	-	-	727,231	1,090,941
Prepaid Items	199,653	-	-	-	-	199,653
Restricted Assets:						
Cash and Cash Equivalents	-	-	-	18,433	-	18,433
Investments	-	-	-	75,065	-	75,065
Receivables	-	-	-	416	-	416
Total Assets	42,598,736	22,567,954	2,259,381	51,428,785	76,666,286	195,521,142
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	707,217	2,759,083	1,152,127	9,333	2,520,860	7,148,620
Contracts Payable	-	69,811	-	-	748,954	818,765
Accrued Liabilities	2,360,693	114,842	311,328	5,782	1,342,951	4,135,596
Due to Other Funds	1,060,207	13,307	492,430	148	275,814	1,841,906
Due to Other Governments	272,408	351,892	449,911	-	76,380	1,150,591
Unearned Revenue	-	-	-	-	417,350	417,350
Obligations under Securities Lending	-	-	-	7,414,973	-	7,414,973
Deferred Revenue	1,081,421	4,461,396	904,889	-	4,100,112	10,547,818
Matured Bonds and Interest Payable	-	-	-	-	104,250	104,250
Total Liabilities	5,481,946	7,770,331	3,310,685	7,430,236	9,586,671	33,579,869
Fund Balances (Deficits):						
Reserved for:						
Encumbrances	611,937	7,732,428	5,177,096	-	2,463,855	15,985,316
Inventories	317,898	45,813		-	727,230	1,090,941
Prepaid Items	199,653	-	-	-	-	199,653
Debt Service	-	-	-	-	13,069,991	13,069,991
Trust Donations	-	-	-	-	1,632,719	1,632,719
Resale Assets	-	-	-	-	793,575	793,575
Health Care (non-expendable)	-		-	37,000,000	-	37,000,000
Donor Restrictions	-	-	-	93,914	-	93,914
Unreserved, Reported in:						
General Fund:						
Designated for Debt Service	381,653	-	-	-	-	381,653
Designated for Subsequent Years Expenditures	7,835,721	-	-	-	-	7,835,721
Undesignated	27,769,928	-	-	-	-	27,769,928
Special Revenue Funds:						
Designated for Subsequent Years Expenditures	-	71,121	-	-	1,269,428	1,340,549
Undesignated	-	6,948,261	(6,228,400)	-	16,109,952	16,829,813
Debt Service Funds	-	-	-	-	6,135,384	6,135,384
Capital Projects Funds	-	-	-	-	24,877,481	24,877,481
Permanent Fund	-	-	-	6,904,635	-	6,904,635
Total Fund Balances (Deficits)	37,116,790	14,797,623	(1,051,304)	43,998,549	67,079,615	161,941,273
Total Liabilities and Fund Balances	$ 42,598,736	22,567,954	2,259,381	51,428,785	76,666,286	

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, not reported in the funds.	394,803,853
Investment in joint venture is not a financial resource and, therefore, not reported in the funds.	26,713,616
Other long-term assets are not available to pay for current-period expenditures and, therefore, deferred in the funds.	10,547,818
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.	19,496,681
Accrued pension contribution liability requires the use of unavailable financial resources and, therefore, is not reported in the funds.	(42,520)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, not reported in the funds.	(81,518,447)
Net assets of governmental activities	$ 531,942,274

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, 2003

	General Fund	Street Construction Fund	Federal Grants Fund	Community Health Permanent Endowment Fund	Other Governmental Funds	Total
REVENUES						
Taxes:						
Property	$ 19,864,870	-	-	-	16,485,272	36,350,142
Motor Vehicle	3,823,011	-	-	-	-	3,823,011
Wheel	-	-	-	-	7,767,169	7,767,169
Sales and Use	49,010,546	-	-	-	-	49,010,546
Sundry and In Lieu	30,609	-	-	-	14,200	44,809
Occupation	8,172,116	-	-	-	-	8,172,116
Special Assessments	58	-	-	-	1,946,726	1,946,784
Intergovernmental	4,117,759	24,450,927	16,748,342	-	7,456,396	52,773,424
Permits and Fees	3,006,483	281,178	482,488	-	8,909,474	12,679,623
Reimbursement for Services	5,062,777	9,842	420,243	-	604,474	6,097,336
Program Income	-	-	1,748,959	-	-	1,748,959
Investment Earnings	565,130	344,477	13,150	2,468,395	962,184	4,353,336
Donations	1,085,211	-	50,266	-	945,650	2,081,127
Keno Proceeds	-	-	-	-	3,178,094	3,178,094
Miscellaneous	392,498	605,609	10,675	59,784	157,392	1,225,958
Total Revenues	95,131,068	25,692,033	19,474,123	2,528,179	48,427,031	191,252,434
EXPENDITURES						
Current:						
General Government	22,207,234	-	145,898	-	6,585,720	28,938,852
Public Safety	42,198,734	-	1,915,890	-	6,818,661	50,933,285
Streets and Highways	5,711,876	4,897,356	-	-	1,708,431	12,317,663
Culture and Recreation	10,485,726	-	1,716,332	-	7,733,765	19,935,823
Economic Opportunity	292,221	-	11,884,713	-	4,292,711	16,469,645
Health and Welfare	360,123	-	6,589,646	1,907,833	8,757,149	17,614,751
Mass Transit	-	-	117,982	-	7,878,037	7,996,019
Debt Service	-	-	-	-	8,507,223	8,507,223
Capital Outlay	-	34,878,751	-	-	13,285,237	48,163,988
Total Expenditures	81,255,914	39,776,107	22,370,461	1,907,833	65,566,934	210,877,249
Excess (Deficiency) of Revenues Over (Under) Expenditures	13,875,154	(14,084,074)	(2,896,338)	620,346	(17,139,903)	(19,624,815)
OTHER FINANCING SOURCES (USES)						
Transfers In	1,855,034	7,520,400	323,472	-	21,999,862	31,698,768
Transfers Out	(16,781,029)	(1,479,627)	(16,492)	-	(13,210,684)	(31,487,832)
Issuance of Debt	-	-	-	-	19,347,418	19,347,418
Transfer to Bond Refunding Agent	-	-	-	-	(9,598,350)	(9,598,350)
Premiums / Discounts on Debt Issued	-	-	-	-	247,703	247,703
Sale of Capital Assets	36,570	-	-	-	774,385	810,955
Total Other Financing Sources (Uses)	(14,889,425)	6,040,773	306,980	-	19,560,334	11,018,662
Net Change In Fund Balances	(1,014,271)	(8,043,301)	(2,589,358)	620,346	2,420,431	(8,606,153)
Fund Balances - Beginning	38,131,061	22,840,924	1,538,054	43,378,203	64,659,184	170,547,426
Fund Balances (Deficits) - Ending	$ 37,116,790	14,797,623	(1,051,304)	43,998,549	67,079,615	161,941,273

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, 2003

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	$	(8,606,153)
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.		19,552,863
The net effect of various miscellaneous transactions involving capital contributions is to increase net assets.		11,173,500
Revenues in the statement of activites that do not provide current financial resources are not reported as revenues in the funds.		(4,252,214)
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.		(4,388,214)
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.		(789,938)
Changes in the net pension asset/obligation do not represent financial activity in governmental funds.		(504,000)
Changes in the interest in the underlying capital assets of the joint venture do not represent financial activity in governmental funds.		25,143,932
Some pension contribution expenses require the use of unavailable financial resources and, therefore, are not reported as expenditures in governmental funds.		(5,457)
Internal service funds are used by management to charge the costs of certain services to individual funds.		849,137
Change in net assets of governmental activities	$	38,173,456

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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Real Estate and Personal Property Tax	$ 22,099,479	22,099,479	23,292,765	1,193,286
Taxes Collected by Others	47,612,196	47,612,196	48,657,268	1,045,072
Sundry Taxes and In Lieu	29,115	29,115	29,773	658
Occupation Taxes	8,708,690	8,708,690	9,043,518	334,828
Special Assessments	6,200	6,200	366	(5,834)
Intergovernmental	4,045,255	4,045,255	4,299,169	253,914
Permits and Fees	2,516,270	2,516,270	2,392,525	(123,745)
Reimbursement for Services	1,989,342	1,989,342	2,144,442	155,100
Court Fees	588,500	588,500	623,887	35,387
Recreation Receipts	1,697,782	1,697,782	1,703,196	5,414
Investment Earnings	431,796	431,796	531,307	99,511
Donations	1,072,226	1,072,226	1,087,660	15,434
Rental Income	348,812	348,812	364,479	15,667
Parking Revenue	835,000	835,000	835,000	-
Miscellaneous	452,057	452,057	285,081	(166,976)
Total Revenues	92,432,720	92,432,720	95,290,436	2,857,716
Expenditures:				
General Government:				
Legislative	347,343	297,139	226,054	71,085
Executive	1,162,952	1,173,680	1,146,039	27,641
Financial Administration	2,163,842	2,163,842	2,030,456	133,386
Law	1,781,361	1,781,361	1,716,967	64,394
Personnel Administration	753,724	753,724	745,450	8,274
Planning and Zoning	1,549,184	1,549,184	1,344,442	204,742
Urban Development	680,642	680,642	623,249	57,393
Miscellaneous	16,452,532	16,430,883	14,484,818	1,946,065
Total General Government	24,891,580	24,830,455	22,317,475	2,512,980
Public Safety:				
Police	24,737,969	24,738,236	24,142,314	595,922
Fire	16,845,163	16,845,163	16,414,337	430,826
Traffic Engineering	1,666,388	1,713,088	1,670,141	42,947
Total Public Safety	43,249,520	43,296,487	42,226,792	1,069,695
Streets and Highways:				
Street Maintenance	2,579,476	2,552,812	2,143,652	409,160
Street Lighting	3,315,300	3,315,300	3,307,904	7,396
Total Streets and Highways	5,894,776	5,868,112	5,451,556	416,556
Culture and Recreation:				
Parks and Recreation	10,249,418	10,215,058	10,170,061	44,997
Libraries	175,416	175,416	175,416	-
Total Culture and Recreation	10,424,834	10,390,474	10,345,477	44,997
Economic Opportunity:				
Lincoln Area Agency on Aging	290,950	290,950	290,375	575
Health and Welfare:				
Lincoln/Lancaster County Health	347,583	347,583	347,583	-
Total Expenditures	85,099,243	85,024,061	80,979,258	4,044,803
Excess of Revenues Over Expenditures	7,333,477	7,408,659	14,311,178	6,902,519
Other Financing Sources (Uses):				
Transfers In	1,861,608	1,861,608	1,829,473	(32,135)
Transfers Out	(18,684,971)	(18,867,194)	(16,011,583)	2,855,611
Sale of Capital Assets	33,065	33,065	36,569	3,504
Total Other Financing Sources (Uses)	(16,790,298)	(16,972,521)	(14,145,541)	2,826,980
Net Change in Fund Balances	(9,456,821)	(9,563,862)	165,637	9,729,499
Fund Balances - Beginning	29,346,179	29,346,179	29,346,179	-
Fund Balances - Ending	$ 19,889,358	19,782,317	29,511,816	9,729,499

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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Intergovernmental	$ 14,000,000	14,000,000	14,677,045	677,045
Permits and Fees	-	-	279,095	279,095
Reimbursement for Services	225,000	225,000	9,842	(215,158)
Investment Earnings	500,000	500,000	326,061	(173,939)
Rental Income	-	-	251	251
Total Revenues	14,725,000	14,725,000	15,292,294	567,294
Expenditures -- Streets and Highways:				
Personal Services	2,690,555	2,690,555	2,719,356	(28,801)
Materials and Supplies	345,075	345,075	384,308	(39,233)
Other Services and Charges	2,051,480	1,809,657	1,692,393	117,264
Capital Outlay	50,646	75,646	73,001	2,645
Total Expenditures	5,137,756	4,920,933	4,869,058	51,875
Excess of Revenues Over Expenditures	9,587,244	9,804,067	10,423,236	619,169
Other Financing Sources (Uses):				
Transfers In	7,520,400	7,520,400	7,520,400	-
Transfers Out	(1,479,627)	(1,479,627)	(1,479,627)	-
Total Other Financing Sources (Uses)	6,040,773	6,040,773	6,040,773	-
Net Change in Fund Balances	15,628,017	15,844,840	16,464,009	619,169
Amount Not Required to be Budgeted	-	-	(25,233,598)	-
Fund Balances - Beginning	19,074,341	19,074,341	19,074,341	-
Fund Balances - Ending	$ 34,702,358	34,919,181	10,304,752	(24,614,429)

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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Intergovernmental	$ 16,383,164	16,383,164	16,279,471	(103,693)
Permits and Fees	549,601	549,601	549,601	-
Reimbursement for Services	223,665	223,665	223,685	20
Client Contributions	128	128	128	-
Program Income	1,195,736	1,195,736	1,748,959	553,223
Recreation Receipts	108,015	108,015	108,015	-
Investment Earnings	12,099	12,099	12,099	-
Donations	50,351	50,351	50,351	-
Rental Income	-	-	102,012	102,012
Private Sector Share of Project	3,489	3,489	3,489	-
Miscellaneous	6,965	6,965	7,275	310
Total Revenues	18,533,213	18,533,213	19,085,085	551,872
Expenditures:				
General Government:				
Materials and Supplies	199	199	199	-
Other Services and Charges	35,383	35,383	35,383	-
Capital Outlay	92,126	92,126	92,126	-
Total General Government	127,708	127,708	127,708	-
Public Safety:				
Personal Services	899,906	899,906	899,906	-
Materials and Supplies	164,748	164,748	164,748	-
Other Services and Charges	555,616	555,616	555,616	-
Capital Outlay	308,442	308,442	308,442	-
Total Public Safety	1,928,712	1,928,712	1,928,712	-
Culture and Recreation:				
Personal Services	292,339	292,339	292,339	-
Materials and Supplies	20,072	20,072	20,072	-
Other Services and Charges	269,491	269,491	269,491	-
Capital Outlay	662,487	662,487	662,487	-
Total Culture and Recreation	1,244,389	1,244,389	1,244,389	-
Economic Opportunity:				
Personal Services	3,350,288	3,303,730	3,285,990	17,740
Materials and Supplies	116,655	116,655	125,048	(8,393)
Other Services and Charges	1,963,276	2,148,544	2,019,162	129,382
Capital Outlay	61,944	982,741	392,486	590,255
Loans and Grants	5,046,808	6,548,741	5,668,315	880,426
Total Economic Opportunity	10,538,971	13,100,411	11,491,001	1,609,410

(Continued)

(Federal Grants Fund, Continued)

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Health and Welfare:				
Personal Services	3,553,659	3,553,659	3,553,659	-
Materials and Supplies	122,953	122,953	122,953	-
Other Services and Charges	2,255,509	2,255,509	2,255,509	-
Capital Outlay	151,132	151,132	151,132	-
Loans and Grants	90,721	90,721	90,721	-
Total Health and Welfare	6,173,974	6,173,974	6,173,974	-
Mass Transit:				
Personal Services	109,505	109,505	109,505	-
Materials and Supplies	1,209	1,209	1,209	-
Other Services and Charges	6,911	6,911	6,911	-
Capital Outlay	195	195	195	-
Total Mass Transit	117,820	117,820	117,820	-
Total Expenditures	20,131,574	22,693,014	21,083,604	1,609,410
Deficiency of Revenues Under Expenditures	(1,598,361)	(4,159,801)	(1,998,519)	2,161,282
Other Financing Sources (Uses):				
Transfers In	393,509	393,509	323,471	(70,038)
Transfers Out	(2,639)	(16,492)	(16,492)	-
Total Other Financing Sources (Uses)	390,870	377,017	306,979	(70,038)
Net Change in Fund Balances	(1,207,491)	(3,782,784)	(1,691,540)	2,091,244
Fund Balances - Beginning	377,621	377,621	377,621	-
Fund Balances (Deficits) - Ending	$ (829,870)	(3,405,163)	(1,313,919)	2,091,244

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, 2003

	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	$ 9,992,780	4,719,391	745,000	2,330,664	17,787,835	2,941,303
Investments	-	-	21,769,000	9,711,712	31,480,712	13,198,658
Accounts Receivable, (Net of Allowance for Uncollectibles)	1,427,707	3,086,033	8,943,000	2,137,286	15,594,026	740,914
Accrued Interest Receivable	-	-	562,000	57,366	619,366	64,729
Unbilled Revenues	1,257,384	2,804,276	6,917,000	-	10,978,660	-
Due from Other Funds	-	-	-	10,421	10,421	456,626
Due from Other Governments	-	-	-	4,064	4,064	287,260
Inventories	82,570	853,960	5,863,000	155,216	6,954,746	447,383
Plant Operation Assets	-	-	3,784,000	-	3,784,000	-
Prepaid Expenses	-	-	678,000	46,559	724,559	195,138
Total Current Assets	12,760,441	11,463,660	49,261,000	14,453,288	87,938,389	18,332,011
Noncurrent Assets:						
Restricted Assets:						
Cash and Cash Equivalents	-	-	-	744,847	744,847	-
Investments	65,337,062	23,263,315	97,521,000	3,275,452	189,396,829	-
Accounts Receivable	-	-	-	14,958	14,958	-
Accrued Interest Receivable	143,336	107,687	-	33,621	284,644	-
Total Restricted Assets	65,480,398	23,371,002	97,521,000	4,068,878	190,441,278	-
Deferred Charges	489,754	581,795	18,317,000	603,341	19,991,890	-
Capital Assets:						
Land	2,280,164	4,431,662	-	7,660,124	14,371,950	48,250
Buildings	37,600,319	92,937,642	-	49,080,376	179,618,337	351,081
Improvements Other Than Buildings	120,424,069	176,454,070	-	22,245,111	319,123,250	1,163,159
Machinery and Equipment	8,638,706	6,911,765	-	9,528,286	25,078,757	20,432,100
Utility Plant	-	-	654,127,000	-	654,127,000	-
Construction in Progress	24,590,688	10,701,532	127,068,000	1,978,944	164,339,164	-
Less Accumulated Depreciation	(57,950,774)	(69,503,732)	(248,352,000)	(27,752,064)	(403,558,570)	(13,376,688)
Total Capital Assets, Net	135,583,172	221,932,939	532,843,000	62,740,777	953,099,888	8,617,902
Total Assets	214,313,765	257,349,396	697,942,000	81,866,284	1,251,471,445	26,949,913
LIABILITIES						
Current Liabilities (Payable from Current Assets):						
Accounts Payable	216,928	576,194	8,242,000	2,043,114	11,078,236	641,082
Construction Contracts	2,327,335	3,989,008	-	-	6,316,343	-
Accrued Liabilities	354,501	675,053	7,480,000	219,036	8,728,590	408,728
Accrued Compensated Absences	229,902	268,770	-	215,827	714,499	519,760
Due to Other Funds	-	-	-	456,861	456,861	29,460
Due to Other Governments	-	-	-	98,690	98,690	6,053
Unearned Revenue	-	-	-	127,676	127,676	548,502
Claims						2,429,995
Accrued Interest	204,516	102,226	-	5,619	312,361	-
Current Portion of Capital Lease	-	-	-	299,612	299,612	-
Current Portion of Long-Term Debt	1,750,000	3,115,000	-	-	4,865,000	-
Other	-	-	5,554,000	-	5,554,000	-
Total Current Liabilities (Payable from Current Assets)	5,083,182	8,726,251	21,276,000	3,466,435	38,551,868	4,582,980
Current Liabilities (Payable from Restricted Assets):						
Accounts Payable	-	-	-	25,937	25,937	-
Construction Contracts	-	-	14,662,000	-	14,662,000	-
Arbitrage Rebate	-	-	-	40,666	40,666	-
Accrued Interest	-	-	5,764,000	41,654	5,805,654	-
Current Portion of Long-Term Debt	-	-	12,450,000	1,435,000	13,885,000	-
Total Current Liabilities (Payable from Restricted Assets)	-	-	32,876,000	1,543,257	34,419,257	-
Noncurrent Liabilities:						
Due to Other Funds	-	-	-	608,106	608,106	-
Accrued Compensated Absences	101,015	161,681	-	21,880	284,576	155,807
Claims	-	-	-	-	-	2,714,445
Long-Term Debt, Net	55,258,928	48,801,838	350,886,000	19,289,527	474,236,293	-
Capital Lease Payable	-	-	-	1,049,482	1,049,482	-
Commercial Paper Notes Payable	-	-	90,173,000	-	90,173,000	-
Deferred Credits and Other	-	-	119,000	-	119,000	-
Accrued Landfill Closure/Postclosure Care Costs	-	-	-	6,244,000	6,244,000	-
Total Noncurrent Liabilities	55,359,943	48,963,519	441,178,000	27,212,995	572,714,457	2,870,252
Total Liabilities	60,443,125	57,689,770	495,330,000	32,222,687	645,685,582	7,453,232
NET ASSETS						
Invested in Capital Assets, Net of Related Debt	131,308,344	180,477,902	160,626,000	41,270,497	513,682,743	8,617,902
Restricted for:						
Debt Service, Net of Related Debt	204,516	102,226	21,527,000	2,347,517	24,181,259	-
Capital Projects	13,806,528	13,286,544	-	1,586,202	28,679,274	-
Other	-	-	-	26,900	26,900	-
Unrestricted	8,551,252	5,792,954	20,459,000	4,412,481	39,215,687	10,878,779
Total Net Assets	$ 153,870,640	199,659,626	202,612,000	49,643,597	605,785,863	19,496,681

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

CITY OF LINCOLN, NEBRASKA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2003

	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	$ 14,691,905	20,883,159	164,974,000	3,923,268	204,472,332	24,971,446
Fees	-	-	-	8,322,220	8,322,220	-
Parking Facility Revenue Pledged as Security for Revenue Bonds	-	-	-	2,848,609	2,848,609	-
Parking Facility Revenue - Unpledged	-	-	-	2,387,429	2,387,429	-
Performance Revenue	-	-	-	1,674,027	1,674,027	-
Other Operating Revenue	-	-	-	253,055	253,055	-
Total Operating Revenues	14,691,905	20,883,159	164,974,000	19,408,608	219,957,672	24,971,446
Operating Expenses						
Personal Services	-	-	-	6,468,474	6,468,474	10,705,369
Contractual Services	-	-	-	2,539,953	2,539,953	-
Operation and Maintenance	7,700,498	9,820,179	10,778,000	4,792,197	33,090,874	12,071,773
Purchased Power	-	-	75,603,000	-	75,603,000	-
Depreciation	4,118,681	5,396,000	20,088,000	3,226,385	32,829,066	2,156,223
Payments in Lieu of Taxes	-	-	5,954,000	-	5,954,000	-
Administrative Costs	1,385,971	1,811,317	20,702,000	-	23,899,288	-
Total Operating Expenses	13,205,150	17,027,496	133,125,000	17,027,009	180,384,655	24,933,365
Operating Income	1,486,755	3,855,663	31,849,000	2,381,599	39,573,017	38,081
Nonoperating Revenues (Expenses)						
Investment Earnings	915,838	535,807	3,305,000	288,401	5,045,046	280,916
Gain on Disposal of Capital Assets	-	-	-	71,768	71,768	105,397
Grants	178,100	114,999	-	-	293,099	-
Amortization of Deferred Charges	-	(42,350)	(4,165,000)	(46,785)	(4,254,135)	-
Interest Expense and Fiscal Charges	-	(2,074,619)	(18,199,000)	(1,140,444)	(21,414,063)	(40)
Total Nonoperating Revenues (Expenses)	1,093,938	(1,466,163)	(19,059,000)	(827,060)	(20,258,285)	386,273
Income Before Contributions and Transfers	2,580,693	2,389,500	12,790,000	1,554,539	19,314,732	424,354
Capital Contributions	4,185,547	3,061,892	-	240,938	7,488,377	411,591
Transfers In	-	-	-	1,383,397	1,383,397	13,192
Transfers Out	-	-	(1,181,000)	(428,914)	(1,609,914)	-
Change in Net Assets	6,766,240	5,451,392	11,609,000	2,751,960	26,578,592	849,137
Net Assets - Beginning	147,104,400	194,208,234	191,003,000	46,891,637	579,207,271	18,647,544
Net Assets - Ending	$ 153,870,640	199,659,626	202,612,000	49,643,597	605,785,863	19,496,681

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, 2003

	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	$ 14,557,248	20,122,917	170,857,000	18,748,111	224,285,276	5,346,146
Receipts from Interfund Services Provided	175,936	458,772	7,306,000	217,413	8,158,121	19,197,213
Payments to Suppliers for Goods and Services	(3,747,453)	(4,656,876)	(116,082,000)	(6,218,460)	(130,704,789)	(10,079,265)
Payments to Employees	(5,295,804)	(5,928,009)	(15,985,000)	(6,475,183)	(33,683,996)	(10,633,843)
Payments for Interfund Services Provided	(1,528,474)	(3,125,722)	(2,252,000)	(1,276,886)	(8,183,082)	(2,256,005)
Payments in Lieu of Taxes	-	-	(5,674,000)	-	(5,674,000)	-
Other Receipts	-	-	-	253,055	253,055	-
Net Cash Provided by Operating Activities	4,161,453	6,871,082	38,170,000	5,248,050	54,450,585	1,574,246
Cash Flows from Noncapital Financing Activities						
Transfers from Other Funds	-	-	-	1,330,239	1,330,239	13,192
Transfers to Other Funds	-	-	(1,140,000)	(428,914)	(1,568,914)	-
Advance from General Fund	-	-	-	541,531	541,531	-
Payment to General Fund	-	-	-	(422,308)	(422,308)	-
Interest Paid to General Fund	-	-	-	(16,132)	(16,132)	(40)
Federal Grant Revenue	178,100	114,999	-	-	293,099	-
Net Cash Provided (Used) by Noncapital Financing Activit	178,100	114,999	(1,140,000)	1,004,416	157,515	13,152
Cash Flows from Capital and Related Financing Activities						
Additions to Capital Assets	(11,740,470)	(4,041,637)	(83,549,000)	(2,432,300)	(101,763,407)	(2,330,968)
Proceeds from Sale of Capital Assets	13,395	-	-	72,505	85,900	262,237
Proceeds from Long-Term Debt	56,519,174	51,931,753	197,602,000	-	306,052,927	-
Net Cost of Retiring Plant	-	-	(591,000)	-	(591,000)	-
Principal Payments of Capital Lease	-	-	-	(129,538)	(129,538)	-
Principal Payments of Capital Debt	(5,592,566)	(37,810,000)	(201,533,000)	(1,525,000)	(246,460,566)	-
Interest Paid and Fiscal Charges	-	(2,183,793)	(20,195,000)	(1,130,060)	(23,508,853)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	39,199,533	7,896,323	(108,266,000)	(5,144,393)	(66,314,537)	(2,068,731)
Cash Flows from Investing Activities						
Proceeds from Sale and Maturities of Investments	40,831,487	10,944,639	624,152,000	8,466,360	684,394,486	11,782,403
Purchases of Investments	(77,604,325)	(26,425,542)	(556,299,000)	(13,130,876)	(673,459,743)	(15,129,786)
Interest and Other Receipts	966,930	646,665	4,023,000	339,364	5,975,959	308,618
Net Cash Provided (Used) by Investing Activities	(35,805,908)	(14,834,238)	71,876,000	(4,325,152)	16,910,702	(3,038,765)
Net Increase (Decrease) in Cash and Cash Equivalents	7,733,178	48,166	640,000	(3,217,079)	5,204,265	(3,520,098)
Cash and Cash Equivalents - Beginning	2,259,602	4,671,225	105,000	6,292,590	13,328,417	6,461,401
Cash and Cash Equivalents - Ending	$ 9,992,780	4,719,391	745,000	3,075,511	18,532,682	2,941,303
Reconciliation of Operating Income to Net Cash Provided by Operating Activities						
Operating Income	$ 1,486,755	3,855,663	31,849,000	2,381,599	39,573,017	38,081
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation and Amortization	4,116,661	3,447,512	20,088,000	3,226,385	32,880,578	2,156,223
Changes in Assets and Liabilities:						
Accounts Receivable and Unbilled Revenues	86,740	(301,470)	941,000	(144,459)	581,811	(340,128)
Due from Other Funds	-	-	-	2,116	2,116	3,396
Due from Other Governments	-	-	-	2,638	2,638	12,439
Inventories	17,827	(12,791)	(110,000)	9,496	(95,468)	(36,708)
Plant Operation Assets	-	-	289,000	-	289,000	-
Prepaid Expenses	-	-	(135,000)	63,895	(71,105)	36,022
Other Assets	-	-	(9,963,000)	-	(9,963,000)	-
Accounts Payable	(1,566,631)	(2,003,129)	(2,257,000)	(7,928)	(5,834,688)	88,145
Accrued Liabilities	(10,865)	(150,193)	-	(16,432)	(177,490)	27,890
Accrued Compensated Absences	28,946	35,490	-	9,723	74,159	43,636
Due to Other Funds	-	-	-	16,964	16,964	9,980
Due to Other Governments	-	-	-	(23,623)	(23,623)	2,568
Unearned Revenue	-	-	-	49,676	49,676	(103,794)
Claims	-	-	-	-	-	(363,504)
In Lieu of Taxes	-	-	280,000	-	280,000	-
Other Current Liabilities	-	-	343,000	-	343,000	-
Deferred Credits and Other Liabilities	-	-	(3,155,000)	-	(3,155,000)	-
Accrued Landfill Closure/Postclosure Care Costs	-	-	-	(322,000)	(322,000)	-
Total Adjustments	2,674,698	3,015,419	6,321,000	2,866,451	14,877,568	1,536,165
Net Cash Provided by Operating Activities	$ 4,161,453	6,871,082	38,170,000	5,248,050	54,450,585	1,574,246
Supplemental Disclosure of Noncash Investing, Capital, and Financing Activities:						
Contribution of Capital Assets	$ 4,185,547	2,386,137	-	240,938	6,812,622	411,591
Purchase of Capital Assets on Account	2,327,335	3,989,008	-	1,370,145	7,686,488	51,024
Change in Fair Value of Investments	(2,358)	(110,858)	-	(48,166)	(161,382)	(53,394)

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, 2003

	Police And Fire Pension Trust Fund	Agency Funds	Total
ASSETS			
Cash and Cash Equivalents	$ 48,484	3,753,808	3,802,292
Investments	137,585,246	-	137,585,246
Receivables:			
Contributions	219,038	-	219,038
Accrued Interest	489,078	713	489,791
Other	-	43,172	43,172
Due from Other Governments	235	-	235
Contractor Retainage	-	1,051,174	1,051,174
Total Assets	138,342,081	4,848,867	143,190,948
LIABILITIES			
Warrants Payable	-	1,994,606	1,994,606
Accounts Payable	1,024	113,205	114,229
Accrued Liabilities	3,453	-	3,453
Accrued Compensated Absences	5,868	-	5,868
Due to Other Governments	-	733,768	733,768
Due to Contractors	-	1,827,641	1,827,641
Due to Joint Venture	-	167,274	167,274
Due to Bondholders	-	12,373	12,373
Total Liabilities	10,345	4,848,867	4,859,212
NET ASSETS			
Held in Trust for Pension Benefits	$ 138,331,736	-	138,331,736

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, 2003

	Police And Fire Pension Trust Fund
Additions:	
Contributions:	
Employer	$ 1,840,417
Employee	1,774,506
Total Contributions	3,614,923
Investment Earnings:	
Interest	3,606,283
Dividends	1,105,613
Net Increase in Fair Value of Investments	4,782,615
Net Investment Earnings	9,494,511
Total Additions	13,109,434
Deductions:	
Benefit Payments	6,664,742
Refunds of Contributions	246,949
Administrative Costs	184,460
Total Deductions	7,096,151
Change in Net Assets	6,013,283
Net Assets Held in Trust for Pension Benefits - Beginning	132,318,453
Net Assets Held in Trust for Pension Benefits - Ending	$ 138,331,736

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

NOTES TO THE FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The City of Lincoln, Nebraska (City) was incorporated on April 7, 1869. 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 7 members. Three Council members are elected at large and 4 by district on a nonpartisan basis for a term of 4 years. The administration of City government is performed under the direction of the Mayor through administrative departments.

The accompanying financial statements present the government of the City. Based upon the criteria identified in Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*, 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 fund types of the City, with the exception of Lincoln Electric System (LES), are reported as of and for the year ended August 31, 2003. 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, 2002. The amounts included in the City's 2003 financial statements for LES are figures as of and for the year ended December 31, 2002.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) 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. *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 fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

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 claims and judgements are recorded only when payment is due.

Property taxes, sales taxes, highway user fees, interdepartmental charges, intergovernmental revenues, and interest associated with the current fiscal period 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 Community Health Permanent Endowment Fund accounts for the cash proceeds realized by the City from the sale of Lincoln General Hospital together with any interest or other investment income earned. The endowment may be increased by donations, bequests, or appropriations to the fund. Monies in the fund are used for funding health and health-related programs that further the health, safety, or welfare of the citizens of Lincoln.

The government reports the following major enterprise funds:

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

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

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

Additionally, the government 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.

The Agency Funds account for the collection of various taxes, fines, fees, and loan programs due to other government entities; good faith money due to contractors upon project completion; funds held to pay outstanding warrants; funds to pay phone system charges; defeased bond proceeds to pay called bonds 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; and funds deposited by Gateway Shopping Center in fulfillment of a condition of the use permit for expansion.

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 EQUITY

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. These

investments are not specifically identified with any one fund. Interest is allocated to the individual funds on the basis of average cash balances.

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

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

In accordance with authorized investment laws, the Pension Trust Fund of the City is allowed to invest in various mortgage-backed securities, such as collateralized mortgage obligations. They are reported in aggregate as mortgage-backed securities in the disclosure of custodial credit risk (see Note 4).

Receivables and Payables

Noncurrent portions of long-term receivables due to governmental funds are reported on their balance sheets, in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources," since they do not represent current assets. Recognition of governmental fund type revenues represented by noncurrent receivables generally is deferred until they become current receivables.

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

Inventories and Prepaid Items

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

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

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

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 and to supplement event net losses.

Certain assets of the Community Health Permanent Endowment Fund are classified as restricted assets because their use is restricted by donors for specific purposes.

A recap of restrictions and related balances at August 31, 2003, are as follows:

Fund Account	Golf	Parking Facilities	Pershing Municipal Auditorium	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Community Health Permanent Endowment	Totals
Principal and Interest	$ -	225,065	-	-	-	9,721,000	-	9,946,065
Reserve	316,500	2,052,495	-	3,931,914	3,169,645	11,688,000	-	21,158,554
Surplus	-	11,068	-	4,403,733	-	-	-	4,414,801
Depreciation and Replacement	100,000	775,660	-	-	-	-	-	875,660
Construction	-	282,522	-	57,144,751	20,201,357	75,995,000	-	153,623,630
Capital Improvements	88,893	-	189,775	-	-	-	-	278,668
Marketing	-	-	26,900	-	-	-	-	26,900
Communications Escrow	-	-	-	-	-	117,000	-	117,000
Donor Specific Purpose	-	-	-	-	-	-	93,914	93,914
	$ 505,393	3,346,810	216,675	65,480,398	23,371,002	97,521,000	93,914	190,535,192

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 government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. 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 asset or materially extend assets lives are not capitalized.

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

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

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

The one 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 34 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 one-fourth or one-half of accumulated sick leave, with maximums depending on the employees' bargaining unit contract. In some cases payment may be placed directly 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 compensated for one-fourth of accumulated sick leave to the date of separation. 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. 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 expected to be liquidated with expendable available financial resources 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.

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

Fund Equity

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

The City has established a policy providing for an unreserved fund balance in the City's General Fund. To meet excess cash flow needs, no less than twenty percent of the ensuing year's General Fund budget is to be set aside as an unrestricted reserve. Currently $20,907,429 of the General Fund's unreserved fund balance of $35,987,302 meets the requirements of this policy, leaving an additional unreserved balance of $15,079,873.

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, and unamortized bond issuance costs 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), contributors, or law or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

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

BUDGETARY DATA

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

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

2) Public hearing on the proposed budget is scheduled for not later than 10 days prior to the budget adoption date.

3) Not later than 5 days prior to the end of the fiscal year, the budget is legally adopted by resolution of the City Council.

4) The Mayor is authorized to transfer unencumbered balances between appropriations of the same department or agency. The Mayor also has authority to lower appropriations in any fund where actual revenues are less than appropriated in order to avoid incurring a budget deficit for the year.

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

5) Budgets for all funds are adopted on a basis inconsistent with 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 result 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, Tax Sales Revolving, Special Assessment, Property Tax Refunds, Parks and Recreation Special Projects, and Commission on Aging Gift Trust), debt service (Special Assessment), and agency funds. In addition, capital project funds are budgeted on a project rather than an annual basis.

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, 2002, from which the summarized information was derived.

ESTIMATES

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

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

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

The governmental fund 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 that "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 $81,518,447 difference are as follows:

Bonds Payable	$ 72,569,237
Less deferred charge for issuance costs	(441,286)
Less issuance discounts	(3,066)
Plus issuance premiums	387,861
Capital Leases Payable	1,680,520
Accrued Interest Payable	613,826
Net Pension Obligation	130,000
Compensated Absences	6,581,355
Net difference	$ 81,518,447

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

The governmental fund 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 that "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 $19,552,863 difference are as follows:

Capital outlay	$ 34,881,007
Depreciation expense	(15,328,144)
Net difference	$ 19,552,863

Another element of that reconciliation states that "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 $(4,388,214) difference are as follows:

Debt issued or incurred:	
Issuance of general obligation storm sewer bonds	$ (19,305,000)
Deferred charge for issuance costs	214,350
Issuance premiums	(247,703)
Principal repayments	14,950,139
Net difference	$ (4,388,214)

Another element of that reconciliation states that "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 $(789,938) difference are as follows:

Loss on disposal of capital assets	$ (565,595)
Accrued interest	77,141
Claims	24,230
Compensated absences	(325,714)
Net difference	$ (789,938)

(3) 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, 2003, 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	$ (1,014,271)	(8,043,301)	(2,589,358)
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.	1,179,908	(726,288)	897,818
Entity differences occur when the budget excludes programs or entities that fall within the financial reporting enity as defined by GAAP.	-	25,233,598	-
Balance on a budget basis	$ 165,637	16,464,009	(1,691,540)

(4) DEPOSITS AND INVESTMENTS

DEPOSITS

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 which is insured by the Federal Deposit Insurance Corporation (FDIC).

For purposes of classifying categories of custodial risk, the bank balances of the City's deposits as of August 31, 2003, are either entirely insured or collateralized with securities held by the City's agent in other than the City's name.

As of August 31, 2003, the book balances of the City's deposits approximates bank balances.

INVESTMENTS

For reporting purposes, the carrying amount of securities is classified into the following three categories of custodial credit risk:

1) Insured or registered, or securities held by the City or its agent in the City's name.

2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.

3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name.

Pension Fund
At August 31, 2003, the Pension Trust fund had investments as follows:

	Category 3	Reported Amount	Fair Value
Mortgage-backed Securities	$ 53,807,258	53,807,258	53,807,258
Government Agencies	207,263	207,263	207,263
Government Securities	2,480,537	2,480,537	2,480,537
	$ 56,495,058	56,495,058	56,495,058
Mutual Funds		64,527,567	64,527,567
Real Estate Limited Partnerships		10,096,951	10,096,951
Mutual Funds - Hedge Funds		3,188,340	3,188,340
Pooled Investment Funds – (internal and external)		3,295,990	3,295,990
		$137,603,906	137,603,906

Lincoln Electric System (LES)
At December 31, 2002 LES had investments as follows:

	Category 2	
	Reported Amount	Fair Value
Government Securities	$ 33,383,000	34,236,000
Government Money Markets	38,505,000	39,005,000
Commercial Paper	47,402,000	47,332,000
	$119,290,000	120,573,000

Lincoln Wastewater System

At August 31, 2003, Lincoln Wastewater System had investments as shown below:

	Category 3	Reported Amount	Fair Value
Government Agencies	$ 58,446,697	58,446,697	58,452,825
Government Securities	6,019,980	6,019,980	6,019,980
	$ 64,466,677	64,466,677	64,472,805
Pooled Investment Funds - (internal and external)		3,779,460	3,779,460
		$ 68,246,137	68,252,265

Lincoln Water System

At August 31, 2003, Lincoln Water System had investments as follows:

	Category 3	Reported Amount	Fair Value
Government Agencies	$ 20,130,208	20,130,208	20,132,503
Government Securities	3,392,370	3,392,370	3,392,370
	$ 23,522,578	23,522,578	23,524,873
Pooled Investment Funds (internal and external)		1,553,051	1,553,051
		$ 25,075,629	25,077,924

Community Health Permanent Endowment

At August 31, 2003, Community Health Permanent Endowment had investments as follows:

	Category 1	Category 3	Reported Amount	Fair Value
Government Agencies	$ 11,124,526	579,603	11,704,129	11,773,546
Government Securities	3,663,978	6,413	3,670,391	3,670,391
Corporate Bonds	24,525,863	-	24,525,863	24,525,863
Foreign Obligations	1,084,428	-	1,084,428	1,084,428
	$ 40,398,795	586,016	40,984,811	41,054,228
Securities Lending Short-term Investment Pool			7,414,973	7,414,973
Pooled Investment Funds (internal and external)			2,940,313	2,940,313
			$ 51,340,097	51,409,514

All Other City Funds

Investments of all other City funds do not vary significantly in either type or risk. These investments at August 31, 2003, were as follows:

	Category 2	Category 3	Reported Amount	Fair Value
Government Agencies	$ 2,017,653	111,004,710	113,022,363	113,034,763
Government Securities	31,294	1,177,162	1,208,456	1,208,456
Corporate Bonds	90,020	-	90,020	90,020
	$ 2,138,967	112,181,872	114,320,839	114,333,239
Equity Securities			289,129	289,129
Pooled Investment Funds (internal and external)			9,559,030	9,559,030
Interfund Investments			704,079	704,079
			$ 124,873,077	124,885,477

Summary of Deposit and Investment Balances

Following is a reconciliation of the City's deposit and investment balances as of August 31, 2003:

	Totals
Investments	$ 526,428,846
Certificates of Deposit	16,000,000
Money Market Accounts	7,000,000
Bank Accounts and Cash on Hand	4,848,726
	$ 554,277,572

	Government-wide Statement of Net Assets	Fiduciary Funds Statement of Net Assets	Totals
Cash and Cash Equivalents	$ 40,021,029	3,802,292	43,823,321
Investments	138,058,858	137,585,246	275,644,104
Invested Securities Lending	7,414,973	-	7,414,973
Restricted Assets:			
Cash and Cash Equivalents	763,280	-	763,280
Investments	226,631,894	-	226,631,894
	$ 412,890,034	141,387,538	554,277,572

There were no investments that resulted in significantly greater custodial credit risk held during the fiscal year ended August 31, 2003, than those held at year end.

The City's Pension Trust Fund invests in collateralized mortgage obligations to maximize investment earnings. These securities are based on cash flows from principal and interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates.

The policies of the Community Health Endowment (CHE) Board of Trustees authorize the CHE fund 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.

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 44 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 the Fund by the contract with the custodian.

(5) RECEIVABLES

Receivables at August 31, 2003, consist of the following (in thousands):

Fund	Taxes	Accounts	Contributions	Special Assessment Current	Special Assessment Deferred	Accrued Interest	Gross Receivables	Allowance For Uncollectibles	Net
General	$ 2,739	1,019	-	-	-	100	3,858	-	3,858
Street Construction	-	2,928	-	-	-	83	3,011	-	3,011
Federal Grants	-	-	-	-	-	3	3	-	3
Community Health Endowment	-	-				4	4	-	4
Wastewater System	-	2,685	-	-	-	143	2,828	-	2,828
Water System	-	5,890	-	-	-	108	5,998	-	5,998
Electric System	-	15,860	-	-	-	562	16,422	-	16,422
Nonmajor -									
Special Revenue	1,258	468	-	-	-	75	1,801	-	1,801
Debt Service	905	-	-	508	3,295	74	4,782	285	4,497
Capital Projects	-	-	-	-	-	91	91	-	91
Enterprise	-	3,220	-	-	-	91	3,311	1,067	2,244
Internal Service		741				65	806	-	806
Fiduciary	-	43	219	-	-	490	752	-	752
	$ 4,902	32,854	219	508	3,295	1,889	43,667	1,352	42,315

Enterprise funds customer accounts receivable include unbilled charges for services.

Delinquent special assessment receivables at August 31, 2003, were $237,928.

No other receivables are expected to be uncollected within one year.

(6) DUE FROM OTHER GOVERNMENTS

The total of Due From Other Governments of $20,653,313 includes the following significant items:

Fund/Fund Type	Amount	Service
General/General	$ 8,944,272	State of Nebraska, July/August Sales and Use Tax
	368,064	August Motor Vehicle Taxes Collected by Lancaster County
	79,907	Lancaster County, Cost Reimbursements
Street Construction/Special Revenue	2,818,407	State of Nebraska, July/August Highway User Fees
	4,440,047	Federal Government, Cost Reimbursements
Federal Grants/Special Revenue	2,256,613	Federal Government, Cost Reimbursements
Lincoln Area Agency on Aging/Special Revenue	93,150	Federal Government, Cost Reimbursements
Lincoln/Lancaster Co. Health/Special Revenue	359,937	Lancaster County, Cost Reimbursements
Snow Removal/Special Revenue	92,600	August Motor Vehicle Taxes Collected by Lancaster County
Antelope Valley/Debt Service	166,167	State of Nebraska, July/August Development Fund disbursements
Vehicle Tax/Capital Projects	629,708	August Motor Vehicle Taxes Collected by Lancaster County
Information Services/Internal Service	227,965	Lancaster County Billings
Engineering Revolving/Internal Service	33,159	Railroad Transportation Safety District, Project Cost Reimbursements
Subtotal	20,509,996	
All other	143,317	
Total Due From Other Governments	$ 20,653,313	

(7) CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2003, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	$ 37,810,841	2,907,018	210,960	40,506,899
Construction in Progress	59,562,688	10,604,610	389,322	69,777,976
Total Capital Assets, not being Depreciated	97,373,529	13,511,628	600,282	110,284,875
Capital Assets, being Depreciated:				
Buildings	61,658,948	948,646	913,318	61,694,276
Improvements Other Than Buildings	46,532,393	841,190	22,731	47,350,852
Machinery and Equipment	62,615,359	4,694,235	4,271,220	63,038,374
Infrastructure	253,608,073	29,241,713	-	282,849,786
Total Capital Assets, being Depreciated	424,414,773	35,725,784	5,207,269	454,933,288
Less Accumulated Depreciation for:				
Buildings	19,641,887	1,565,916	598,177	20,609,626
Improvements Other Than Buildings	14,565,132	1,522,900	22,731	16,065,301
Machinery and Equipment	32,657,136	5,476,010	4,074,887	34,058,259
Infrastructure	82,143,681	8,919,541	-	91,063,222
Total Accumulated Depreciation	149,007,836	17,484,367	4,695,795	161,796,408
Total Capital Assets, being Depreciated, Net	275,406,937	18,241,417	511,474	293,136,880
Governmental Activities Capital Assets, Net	$ 372,780,466	31,753,045	1,111,756	403,421,755

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type Activities:				
Capital Assets, not being Depreciated:				
Land	$ 14,185,253	186,697	-	14,371,950
Construction in Progress	85,671,929	121,080,968	42,413,733	164,339,164
Total Capital Assets, not being Depreciated	99,857,182	121,267,665	42,413,733	178,711,114
Capital Assets, being Depreciated:				
Buildings	172,546,376	7,071,961	-	179,618,337
Improvements Other Than Buildings	305,386,608	13,744,043	7,401	319,123,250
Machinery and Equipment	23,908,765	1,561,672	391,680	25,078,757
Utility Plant	628,316,000	28,822,000	3,011,000	654,127,000
Total Capital Assets, being Depreciated	1,130,157,749	51,199,676	3,410,081	1,177,947,344
Less Accumulated Depreciation for:				
Buildings	49,479,668	3,808,479	-	53,288,147
Improvements Other Than Buildings	80,185,539	7,124,295	7,401	87,302,433
Machinery and Equipment	13,176,964	1,808,292	369,266	14,615,990
Utility Plant	232,069,000	20,088,000	3,805,000	248,352,000
Total Accumulated Depreciation	374,911,171	32,829,066	4,181,667	403,558,570
Total Capital Assets, being Depreciated, Net	755,246,578	18,370,610	(771,586)	774,388,774
Business-type Activities Capital Assets, Net	$ 855,103,760	139,638,275	41,642,147	953,099,888

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:		
General Government	$	800,929
Public Safety		1,323,532
Streets and Highways, including Infrastructure		8,620,395
Culture and Recreation		3,250,089
Economic Opportunity		55,138
Health and Welfare		137,922
Mass Transit		1,140,139
Internal Service Funds Capital Assets Depreciation is charged to the various functions based on usage of the assets.		2,156,223
Total Depreciation Expense - Governmental	$	17,484,367
Business-type Activities:		
Parking Lots	$	21,881
Golf		532,063
Parking Facilities		1,028,433
Pershing Municipal Auditorium		152,576
Sanitary Landfill		1,315,319
Emergency Medical Services		176,113
Wastewater System		4,118,681
Water System		5,396,000
Lincoln Electric System		20,088,000
Total Depreciation Expense - Business-type	$	32,829,066

Capital asset activity of each major fund was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Lincoln Wastewater System:				
Capital Assets, not being Depreciated:				
Land	$ 2,138,362	141,802	-	2,280,164
Construction in Progress	14,177,593	13,389,134	2,976,039	24,590,688
Total Capital Assets, not being Depreciated	16,315,955	13,530,936	2,976,039	26,870,852
Capital Assets, being Depreciated:				
Buildings	36,948,285	652,034	-	37,600,319
Improvements Other Than Buildings	114,131,419	6,292,650	-	120,424,069
Machinery and Equipment	7,988,285	753,771	103,350	8,638,706
Total Capital Assets, being Depreciated	159,067,989	7,698,455	103,350	166,663,094
Less Accumulated Depreciation for:				
Buildings	15,820,738	1,000,251	-	16,820,989
Improvements Other Than Buildings	33,613,288	2,660,022	-	36,273,310
Machinery and Equipment	4,488,022	458,408	89,955	4,856,475
Total Accumulated Depreciation	53,922,048	4,118,681	89,955	57,950,774
Total Capital Assets, being Depreciated, Net	105,145,941	3,579,774	13,395	108,712,320
Wastewater System Capital Assets, Net	$ 121,461,896	17,110,710	2,989,434	135,583,172

	Beginning Balances	Increases	Decreases	Ending Balances
Lincoln Water System:				
Capital Assets, not being Depreciated:				
Land	$ 4,386,767	44,895	-	4,431,662
Construction in Progress	12,626,211	7,600,412	9,525,091	10,701,532
Total Capital Assets, not being Depreciated	17,012,978	7,645,307	9,525,091	15,133,194
Capital Assets, being Depreciated:				
Buildings	87,276,794	5,660,848	-	92,937,642
Improvements Other Than Buildings	169,366,277	7,087,793	-	176,454,070
Machinery and Equipment	6,742,019	231,963	62,217	6,911,765
Total Capital Assets, being Depreciated	263,385,090	12,980,604	62,217	276,303,477
Less Accumulated Depreciation for:				
Buildings	20,280,489	1,603,112	-	21,883,601
Improvements Other Than Buildings	39,475,988	3,428,915	-	42,904,903
Machinery and Equipment	4,405,189	363,973	53,934	4,715,228
Total Accumulated Depreciation	64,161,666	5,396,000	53,934	69,503,732
Total Capital Assets, being Depreciated, Net	199,223,424	7,584,604	8,283	206,799,745
Water System Capital Assets, Net	$ 216,236,402	15,229,911	9,533,374	221,932,939

	Beginning Balances	Increases	Decreases	Ending Balances
Lincoln Electric System:				
Capital Assets, not being Depreciated:				
Construction in Progress	$ 58,567,000	98,117,000	29,616,000	127,068,000
Capital Assets, being Depreciated:				
Utility Plant	628,316,000	28,822,000	3,011,000	654,127,000
Less Accumulated Depreciation	232,069,000	20,088,000	3,805,000	248,352,000
Total Capital Assets, being Depreciated, Net	396,247,000	8,734,000	(794,000)	405,775,000
Electric System Capital Assets, Net	$ 454,814,000	106,851,000	28,822,000	532,843,000

During 2003, Lincoln Wastewater System incurred $435,730 of interest cost which was capitalized into construction in progress. Lincoln Water System incurred $2,771,148 of interest cost, of which $696,529 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 $2 million. The allowance for funds used during construction consists of interest costs on proceeds of commercial paper notes/bonds, less net earnings on proceeds temporarily invested. The weighted-average rate for 2002 was 4.9%.

(8) 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 2002 tax levy, for the 2002-2003 fiscal year, was $48,669,563 below the legal limit, with a tax rate per $100 valuation of 0.31452. The assessed value upon which the 2002 levy was based was $11,130,588,167.

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.

Property taxes levied for 2002-2003 are recorded as revenue when expected to be collected within 60 days after August 31, 2003. 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.

(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 $6,162,316, $3,028,825, $4,045,517, and $5,968,717 are currently available in the debt service funds to service the General Obligation Bonds, Tax Supported Bonds, Tax Allocation Bonds, and Special Assessment Bonds, respectively. Revenue Bonds are funded partially from reserve accounts set up for debt repayment and partially from proceeds of daily operations.

The City has entered into lease agreements for financing the acquisition of land, buildings, emergency ambulances and defibrillators, 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	$ 42,000	$ 210,000
Buildings	2,185,750	-
Machinery and Equipment	206,597	1,748,261
Less Accumulated Depreciation, (where applicable)	(546,057)	(472,980)
Total	$ 1,888,290	$ 1,485,281

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.

On October 1, 2002, LES issued $148.2 million in electric revenue and refunding bonds with interest rates ranging from 4% to 5% and have annual maturities of $3.7 million to $13.5 million due from 2004 to 2025. These bonds were issued to advance refund $136.3 million in outstanding 1993 Series bonds with an average interest rate of 5.2% and to pay down $20 million in outstanding commercial paper notes with an average interest rate of 2%. LES advance refunded a portion of the 1993 bonds and paid down the commercial paper notes to restructure its debt and to provide for flexible covenants and business operations. The refunding resulted in an economic gain of $9.7 million, and an accounting loss of approximately $22 million, which is deferred and is being amortized through 2015, the period over which LES expects to recover the costs. The net proceeds of $141.8 million plus an additional $9.5 million of the 1993 series reserve fund were used to purchase U.S. government securities and money market funds and were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1993 bonds. As a result, the defeased portion of the 1993 bonds have been removed from the financial statements.

In prior years, the City defeased certain bonds by placing the proceeds of the refunding bonds in irrevocable trusts to provide for all future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On August 31, 2003, the following bonds outstanding are considered defeased:

Revenue Bonds:		
08/15/80	Lincoln Wastewater	$ 5,000
Various	Lincoln Electric	136,300,000
Total Defeased Bonds Outstanding		$ 136,305,000

LES issued short-term taxable commercial paper notes dated August 15, 2001 to refund $35.510 million in outstanding 1992 Series bonds. The notes matured in June 2002, and had an interest rate of 1.9% at the time of maturity.

In July 2003, the Lincoln Wastewater System issued $55,000,000 in revenue bonds to pay off $4,560,066 of outstanding 5% debt, resulting in an economic gain of $329,680. The revenue bonds also provided approximately $48,000,000 of additional funds to be used for construction costs.

In August 2003, The Lincoln Water System issued $32,180,000 in Water Revenue Refunding Bonds at an interest rate of 5% to refund $37,810,000 of bonds with interest rates ranging from 4.8% to 5.3%. The City completed the advance refunding to reduce its total debt service payments over the next 25 years by $2,620,000 to obtain an economic gain of $1,346,358.

In June 2003, the City issued $19,305,000 in General Obligation Various Purpose Bonds at interest rates ranging from 2.625% to 4.125% to refund $9,419,000 in various outstanding general obligation bonds with interest rates averaging from 4.4% to 5.5%. The refunding resulted in a cash flow differential of $1,368,752 and an economic gain of $947,337. The bonds also provided approximately $10,000,000 of additional funds to be used for construction and improvements to the City's storm sewer and drainage system.

Established by City Ordinance, LES may borrow up to $125 million under a commercial paper note program. At December 31, 2002, LES had $90.2 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, 2002, was 1.4 percent. The annual requirement to pay interest on this outstanding debt is approximately $1,263,000. The outstanding commercial paper notes are secured by a revolving credit agreement which provides for borrowings up to $125 million. LES pays a commitment fee for the credit agreement. Under the terms of the agreement LES refinances the commercial paper upon maturity.

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
General Obligation Bonds:							
General Bonds:							
8,250	08/15/97	Storm Sewer and Drainage	4.500 - 5.125	Ser. '99 to '17	2005	Semiannually	$ 7,065
14,435	03/01/99	Various Purpose Series A	3.000 - 4.600	Ser. '00 to '14	2009	"	11,390
7,365	03/01/99	Various Purpose Series A	4.750	Term '15 to '19	2009	"	7,365
8,220	03/01/99	Various Purpose Series B	3.000 - 4.250	Ser. '99 to '11	2007	"	5,240
7,500	05/29/02	Storm Sewer and Drainage	3.000 - 5.000	Ser. '04 to '22	2010	"	7,500
15,595	06/24/03	Various Purpose	2.625 - 3.750	Ser. '04 to '17	2013	"	15,595
3,710	06/24/03	Various Purpose	4.000 - 4.125	Term '18 to '23	2013	"	3,710
	Total General Bonds						$ 57,865
Municipal Infrastructure Redevelopment Bonds:							
3,200	06/13/00	Municipal Infrastructure Redevelopment	4.750 - 5.100	Ser. '01 to '09	2005	Semiannually	$ 2,395
Tax Allocation Bonds:							
1,310	11/15/92	Tax Allocation Bonds	3.250 - 6.200	Ser. '93 to '06	1997	Semiannually	$ 325
105	11/15/92	Tax Allocation Bonds	6.350	Term '93 to '06	1997	"	45
90	11/15/92	Tax Allocation Bonds	6.300	Term '93 to '05	1997	"	35
303	10/18/94	Tax Allocation Bonds	8.000	Term '95 to '05	Anytime	"	95
232	04/21/00	Tax Allocation Bonds	6.390	Ser. '00 to '10	2000	"	177
1,200	05/01/01	Tax Allocation & Refunding Bonds	3.450 - 3.750	Ser. '01 to '04	2003	"	575
42	06/01/03	Tax Allocation Bonds	4.060	Ser. '04 to '11	Anytime	"	42
	Total Tax Allocation Bonds						$ 1,294
	Total General, MIRF, And Tax Allocation Bonds						$ 61,554
Special Assessment Bonds:							
3,860	11/15/89	Special Assessment Revolving	5.900 - 6.850	Ser. '90 to '04	1996	Semiannually	$ 205
	TOTAL GENERAL OBLIGATION BONDS						$ 61,759
Tax-Supported Revenue Bonds:							
11,080	2/27/02	Antelope Valley Project	1.500 - 5.000	Ser. '02 to '16	2012	Semiannually	$ 10,810
Revenue Bonds:							
11,850	11/22/02	Water Revenue	2.750 - 5.000	Ser. '05 to '17	2012	Semiannually	$ 11,850
6,660	11/22/02	Water Revenue	5.000	Term '18 to '22	2012	"	6,660
32,180	05/20/02	Water Revenue	5.000	Ser. '04 to '12	-	"	32,180
	Total Water Bonds						$ 50,690
15,765	08/01/03	Wastewater Revenue	2.000 - 5.000	Ser. '04 to '23	2013	Semiannually	$ 15,765
39,235	08/01/03	Wastewater Revenue	4.625 - 5.000	Term '24 to '28	2013	"	39,235
	Total Wastewater Bonds						$ 55,000
6,815	09/08/99	Parking Revenue Series A	4.000 - 5.000	Ser. '00 to '09	2009	Semiannually	$ 5,500
6,695	09/08/99	Parking Revenue Series A	5.375	Term '10 to '14	2009	"	6,695
2,125	09/08/99	Parking Revenue Series B	6.250	Ser. '00 to '04	Anytime	"	485
6,000	12/05/01	Parking Revenue	3.750 - 5.125	Ser.'02 to '21	2011	"	5,505
	Total Parking Bonds						$ 18,185
3,165	10/23/01	Golf Course Revenue Refunding	2.300 - 4.050	Ser. '02 to '11	2008	Semiannually	$ 2,580
184,650	07/01/93	Electric Refunding '93 Series A	4.700 - 5.400	Ser. '94 to '11	2003	Semiannually	$ 32,770
62,005	07/01/93	Electric Refunding '93 Series A	5.250	Term '12 to '15	2003	"	12,530
45,560	02/15/98	Electric Revenue Bonds '98 Series A	4.500 - 5.000	Ser. '98 to '18	2008	"	38,225
141,150	08/15/01	Electric Revenue Bonds '01	4.000 - 5.250	Ser. '06 to '20	2011	"	141,150
148,190	10/01/02	Electric Revenue Bonds '02	4.000 - 5.000	Ser. '04 to '25	2012	"	148,190
	Total Electric Bonds						$ 372,865
	TOTAL REVENUE BONDS						$ 499,320

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

Fiscal Year Ended August 31	Governmental Activities							
	General Obligation Bonds		Special Assessment Bonds		Tax-Supported Revenue Bonds		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2004	$ 4,114	2,447	105	10	555	436	165	66
2005	4,526	2,335	100	3	565	423	147	61
2006	4,330	2,173	-	-	580	409	143	56
2007	4,000	2,014	-	-	595	391	105	52
2008	3,992	1,864	-	-	615	372	112	49
2009 - 2013	17,252	7,095	-	-	3,430	1,484	612	175
2014 - 2018	15,905	3,745	-	-	4,470	535	266	69
2019 - 2023	7,435	820	-	-	-	-	130	3
	$ 61,554	22,493	205	13	10,810	4,050	1,680	531

Fiscal Year Ended August 31	Business-Type Activities			
	Revenue Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2004	$ 18,750	23,447	300	53
2005	19,375	23,517	310	40
2006	20,145	22,705	320	28
2007	21,050	21,852	207	14
2008	22,010	20,878	212	5
2009 - 2013	120,475	87,503	-	-
2014 - 2018	137,740	56,867	-	-
2019 - 2023	111,205	20,191	-	-
2024 - 2028	28,570	3,706	-	-
	$ 499,320	280,666	1,349	140

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

Fiscal Year Ended August 31	Major Funds					
	Wastewater System		Water System		Electric System	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	$ 1,750	2,135	3,115	2,412	12,450	17,902
2005	1,500	2,404	4,000	2,256	12,440	17,924
2006	1,520	2,358	4,175	2,072	12,960	17,399
2007	1,545	2,313	4,365	1,879	13,585	16,849
2008	1,580	2,274	4,560	1,672	14,240	16,190
2009 - 2013	8,585	10,544	19,525	4,999	83,745	69,478
2014 - 2018	10,200	8,539	5,495	2,204	118,705	45,450
2019 - 2023	12,555	5,771	5,455	698	91,935	13,590
2024 - 2028	15,765	2,404	-	-	12,805	1,302
	$ 55,000	38,742	50,690	18,192	372,865	216,084

Long-term liability activity for the year ended August 31, 2003, was as follows (in thousands of dollars):

	09/01/02 Beginning Balance	Additions	Reductions	08/31/03 Ending Balance	Due Within One Year
Governmental Activities:					
Bonds and Leases Payable:					
General Obligation Bonds	$ 52,157	19,305	(13,597)	57,865	3,215
Municipal Infrastructure Redevelopment Bonds	2,685	-	(290)	2,395	305
Tax Allocation Bonds	1,845	42	(593)	1,294	594
Special Assessment Debt with Government Commitment	310	-	(105)	205	105
Tax-Supported Antelope Valley Project Bonds	11,080	-	(270)	10,810	555
Capital Leases	1,818	785	(923)	1,680	165
Gross Bonds and Leases Payable	69,895	20,132	(15,778)	74,249	4,939
Deferred Amounts:					
For Issuance Premiums	144	248	(4)	388	-
For Issuance Discounts	(3)	-	-	(3)	-
Net Bonds and Leases Payable	70,036	20,380	(15,782)	74,634	4,939
Other Liabilities:					
Compensated Absences	6,888	5,181	(4,812)	7,257	5,149
Claims and Judgements	5,507	1,805	(2,168)	5,144	2,429
Net Pension Obligation	-	130	-	130	-
Governmental Activity Long-Term Liabilities	$ 82,431	27,496	(22,762)	87,165	12,517
Business-Type Activities:					
Bonds, Notes and Leases Payable:					
Water Revenue Bonds	$ 37,810	50,690	(37,810)	50,690	3,115
Wastewater Revenue Project Loan	5,593	-	(5,593)	-	-
Wastwater Revenue Bonds	-	55,000	-	55,000	1,750
Parking Revenue Bonds	19,270	-	(1,085)	18,185	1,145
Golf Course Revenue Bonds	2,860	-	(280)	2,580	290
Electric System Revenue Bonds	371,033	148,190	(146,360)	372,865	12,450
Commercial Paper Notes	75,000	35,173	(20,000)	90,173	-
Capital Leases	1,639	-	(290)	1,349	300
Gross Bonds, Notes and Leases Payable	513,207	289,053	(211,418)	590,842	19,050
Deferred Amounts:					
For Issuance Premiums	3,215	19,036	(562)	21,689	-
For Issuance Discounts	(17,842)	(11,115)	2,191	(26,766)	-
For Refunding	(45)	(1,221)	9	(1,257)	-
Net Bonds, Notes and Leases Payable	498,535	295,753	(209,780)	584,508	19,050
Other Liabilities:					
Compensated Absences	925	734	(660)	999	714
Business-Type Activity Long-Term Liabilities	$ 499,460	296,487	(210,440)	585,507	19,764

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 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.

Long-term liability activity for the major funds for the year ended August 31, 2003, was as follows (in thousands of dollars):

	09/01/02 Beginning Balance	Additions	Reductions	08/31/03 Ending Balance	Due Within One Year
Lincoln Wastewater System:					
Loans Payable:					
Wastewater Revenue Project Loan	$ 5,593	-	(5,593)	-	-
Bonds Payable:					
Wastwater Revenue Bonds	-	55,000	-	55,000	1,750
Deferred For Issuance Premiums	-	2,016	(7)	2,009	-
Net Bonds Payable	-	57,016	(7)	57,009	1,750
Other Liabilities:					
Compensated Absences	302	241	(212)	331	230
Total Long-Term Liabilities	$ 5,895	57,257	(5,812)	57,340	1,980
Lincoln Water System:					
Bonds Payable:					
Water Revenue Bonds	$ 37,810	50,690	(37,810)	50,690	3,115
Deferred for Issuance Premiums	-	2,463	(20)	2,443	-
Deferred for Issuance Discounts	(250)	-	250	-	-
Deferred for Refunding	-	(1,221)	5	(1,216)	-
Net Bonds Payable	37,560	51,932	(37,575)	51,917	3,115
Other Liabilities:					
Compensated Absences	395	277	(242)	430	269
Total Long-Term Liabilities	$ 37,955	52,209	(37,817)	52,347	3,384
Lincoln Electric System:					
Bonds and Notes Payable:					
Electric System Revenue Bonds	$ 371,035	148,190	(146,360)	372,865	12,450
Commercial Paper Notes	75,000	35,173	(20,000)	90,173	-
Deferred for Issuance Premiums	3,215	14,557	(535)	17,237	-
Deferred for Issuance Discounts	(17,592)	(11,115)	1,941	(26,766)	-
Total Long-Term Liabilities	$ 431,658	186,805	(164,954)	453,509	12,450

(10) FAIR VALUE OF FINANCIAL INSTRUMENTS

In the opinion of management, the carrying value of financial instruments, including commercial paper notes, of the City's utility proprietary funds (Lincoln Wastewater, Lincoln Water, and Lincoln Electric Systems) is presented in the City's financial statements at values which approximated fair value at August 31, 2003, (December 31, 2002 for Lincoln Electric System), with the exception of LES' long-term debt for which the estimated fair value is $398,000,000.

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.

(11) 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 Public Works/Utilities Department operates the City's downtown parking garages and is accounted for in the Parking Facilities Fund. Summary financial information as of and for the year ended August 31, 2003, for these two divisions is presented as follows:

	Golf	Parking Facilities
CONDENSED STATEMENT OF NET ASSETS		
Assets:		
Current Assets	$ 188,088	2,772,307
Restricted Assets	505,393	3,346,810
Deferred Charges	62,685	530,361
Capital Assets	8,015,834	36,901,002
Total Assets	8,772,000	43,550,480
Liabilities:		
Current Liabilities	533,977	247,133
Due to Other Funds	7,209	1,411
Current Liabilities Payable from Restricted Assets	319,752	1,223,505
Noncurrent Liabilities	2,506,338	17,040,017
Total Liabilities	3,367,276	18,512,066
Net Assets:		
Invested in Capital Assets, Net of Related Debt	5,175,395	19,246,363
Restricted	475,640	3,268,304
Unrestricted	(246,311)	2,523,747
Total Net Assets	$ 5,404,724	25,038,414
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS		
Operating Revenues	$ 2,640,994	5,035,564
Depreciation Expense	(532,063)	(1,028,433)
Other Operating Expenses	(2,408,947)	(2,304,632)
Operating Income (Loss)	(300,016)	1,702,499
Nonoperating Revenues (Expenses):		
Investment Earnings	7,558	117,676
Interest Expense and Fiscal Charges	(123,857)	(995,323)
Capital Contributions	134,363	-
Transfers	-	942,239
Change in Net Assets	(281,952)	1,767,091
Beginning Net Assets	5,686,676	23,271,323
Ending Net Assets	$ 5,404,724	25,038,414
CONDENSED STATEMENT OF CASH FLOWS		
Net Cash Provided (Used) by:		
Operating Activitites	$ 358,665	2,834,500
Noncapital Financing Activities	-	942,239
Capital and Related Financing Activities	(823,771)	(3,226,970)
Investing Activities	(320,129)	(2,160,835)
Net Increase (Decrease) in Cash	(785,235)	(1,611,066)
Beginning Balance	882,038	2,639,276
Ending Balance	$ 96,803	1,028,210

(12) DEFICIT NET ASSETS

The following funds had a net asset or fund balance deficit as of August 31, 2003:

Major Governmental	
Federal Grants Fund	$ (1,051,304)
Special Revenue	
911 Communication Fund	(82,616)
Impact Fees Fund	(7,792)
Enterprise	
Emergency Medical Services Fund	(40,914)

(13) EMPLOYEES' RETIREMENT PLANS

The employees of the City are covered by several retirement plans. The Police and Fire Department Plan (PFDP) is administered by the City and is included in the Fiduciary Fund type. 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. All other plans are administered by outside trustees and are not included in the City's combined 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. Cost-of-living adjustments are provided to members and beneficiaries in accordance with the plan document. Article II Section 3 of the Lincoln Charter assigns the authority to establish and amend benefit provisions to the City Council. The City does not issue a separate report that includes financial statements and required supplementary information for PFDP.

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

Membership of the pension plan consisted of the following at August 31, 2003, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	309
Terminated plan members entitled to but not yet receiving benefits	31
Active plan members (non-DROP)	535
DROP members	57
Total	932
Number of participating employers	1

Funding Policy - The contribution requirements of plan members and the City are established by City Ordinance #15728 dated September 24, 1990, and may be amended by the City Council. Plan members are required to contribute between 7% and 8% of their annual covered salary based on an election made by the employee. The City is required to contribute at an actuarially determined rate; the rate for fiscal year 2003 was 7.54% of annual covered payroll. Actual contributions by the City were 6.71% 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	$ 2,234
Interest on net pension obligation	(28)
Adjustment to annual required contribution	81
Annual pension cost	2,287
Contributions made	1,783
Increase in net pension obligation	504
Net pension obligation (asset) beginning	(374)
Net pension obligation ending	$ 130

The annual required contribution for the current year was determined as part of the August 31, 2001, 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 5.0 –9.0% per year, 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 payroll on an open basis over a period of five years.

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
2003	$ 2,287	$ 1,783	78 %	$ 130
2002	1,989	1,585	80	(374)
2001	894	1,156	129	(777)

Required Supplementary Information (Unaudited)

Schedule of Funding Progress
(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 *	UAAL as a Percentage of Covered Payroll ((b-a)/c)
August 31, 2003	$ 132,578	$ 137,508	$ 4,930	96.4 %	$ 27,415	18.0 %
August 31, 2002	128,319	130,875	2,556	98.0	26,607	9.6
August 31, 2001	128,070	122,661	(5,409)	104.4	28,216	(19.2)
August 31, 2000	121,404	115,671	(5,733)	105.0	25,808	(22.2)
August 31, 1999	113,903	104,692	(9,211)	108.8	23,611	(39.0)
August 31, 1998	109,213	94,848	(14,365)	115.1	21,860	(65.7)

* Non-DROP payroll in 2002 and later

Schedule of Employer Contributions
(Dollar Amounts in Thousands)

Year Ended August 31	Annual Required Contribution	Annual Pension Contribution	Percentage Contributed
2003	$ 2,234	$ 1,783	80 %
2002	1,878	1,585	84
2001	821	1,156	141
2000	92	958	1041
1999	962	904	94
1998	531	504	95

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 a financial institution. LES' contribution is equal to 200% of the employees' contributions which range from 2-5% of gross wages. This plan and related contribution requirements were authorized by the administrative board of directors under LES' retirement plan, on October 12, 1972, (latest restatement June 15, 1989). Vesting of LES contributions occurs over a five-year period. Employee forfeitures are used to reduce employer contributions. Vested benefits are fully funded. LES incurred contribution expense of approximately $2,316,000 (9.6% of covered payroll) and its employees contributed approximately $1,249,600 (5.2% 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, 2002, was $1,318,829. City contributions totaled $152,641 or 11.6% of covered payroll. There were no voluntary employee contributions made for the year ended December 31, 2002.

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' contribution. Employee forfeitures are used to reduce employer contributions. Employees covered by the Plan may also make voluntary contributions. During the year ended December 31, 2002, total payroll was approximately $59,314,000 and covered payroll was approximately $49,240,000. City contributions totaled $5,417,206 or 11.0% of covered payroll and employee contributions totaled $2,767,896 or 5.6% of covered payroll. Employees made $50,071 in voluntary contributions for the year ended December 31, 2002.

(14) 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.

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 an adverse effect on the City's financial condition or results of operations.

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 soil, 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 regulatory officials have made a final review of reported findings.

STREET CONSTRUCTION PROJECTS

The City's Street Construction Capital Projects Fund has commitments under major construction contracts in progress of approximately $13,840,000 as of August 31, 2003, which will be financed primarily through highway user fees, federal and state grants, and developer contributions.

LINCOLN WASTEWATER SYSTEM

The Lincoln Wastewater System has commitments under major construction contracts in progress of approximately $19,897,000 at August 31, 2003.

Lincoln Wastewater System has commitments to fund Lincoln Water System's purchase of automated meter reading system equipment. Under the agreement, Lincoln Wastewater System will fund approximately $400,000 per year for an additional four years. The maximum remaining commitment is approximately $1,600,000 at August 31, 2003.

LINCOLN WATER SYSTEM

The Lincoln Water System has commitments under major construction contracts in progress of approximately $5,733,000 as of August 31, 2003.

Lincoln Water System has commitments to purchase approximately $1,000,000 of automated meter reading system equipment for four years. The maximum remaining commitment is approximately $4,000,000 at August 31, 2003.

LINCOLN ELECTRIC SYSTEM (LES)

Participation Contract with NPPD for Cooper Nuclear Station

On May 21, 1968, LES and Consumers Public Power District, now known as Nebraska Public Power District (NPPD), entered into a Power Sales Contract (PSC) relating to the sale of capacity and energy from Cooper Nuclear Station (CNS). CNS is an approximately 800 megawatt (MW) nuclear generating plant located near Brownville, Nebraska, and is owned and operated by NPPD. The LES share under the original contract was 12.5% of the output of the facility. From 1973 through July 2002, LES received energy from the Cooper facility while contributing fixed and variable expenses equivalent to ownership costs and fuel costs. Fixed cost payments under the contract were on the same percentage basis whether or not the plant was operating or operable. LES recognized expense for its share of the total fixed demand costs of approximately $8,400,000 in 2002.

LES and NPPD have each made allegations and brought claims against one another and have pursued related court actions and appeals against each other that are related to or arising from the PSC and CNS management and operating performance.

During 2002, LES and NPPD entered into settlement discussions that culminated in a settlement agreement to resolve all pending and threatened litigation related to CNS. This agreement includes power supply alternatives for LES that are advantageous for LES' future resource reliability and cost, including a 95 MW energy contract from NPPD at an advantageous fixed cost that will replace energy previously received from CNS.

On July 31, 2002, the LES Administrative Board approved the settlement with NPPD and executed the "Settlement Agreement, Mutual Release and Indemnity" outlining all terms and conditions of the settlement. The settlement included:

- A new Power Sales Agreement (PSA) with NPPD effective August 1, 2002 through September 30, 2003, for 95 MW of accredited capacity and energy from NPPD.
- An amendment to the agreement for Gerald Gentlemen Station (GGS) relating to LES' entitlement to fully schedule an additional 7 MW from GGS.
- Authorization for the LES Administrator and CEO and LES legal counsel to prepare and file all documents necessary to effectuate the dismissal of all outstanding litigation with NPPD related to CNS.

A significant and key factor in the overall settlement is the provision whereby NPPD agrees not only to release LES from any future decommissioning obligation, but also to indemnify and hold LES harmless from any claim of any nature from any person or entity (including government agencies) that arises from or relates to the PSC of the operation of CNS.

The economic benefit of the settlement to LES includes an estimated $5,000,000 in immediately available decommissioning funds, $3,500,000 in savings in power costs due to the firm PSA, and approximately $1,000,000 per year in additional savings from the low costs of GGS energy for so long as GGS continues to operate.

Upon expiration of the previous contract, if the nuclear facility was no longer in operation, LES would have been liable for no more than 12.5% of the costs of decommissioning the nuclear facility. LES recognized expense for these potential costs of approximately $4,800,000 from the period of December 2000 to July 2002. As a result of the settlement, this reserve was reversed and purchased power expense was decreased by this amount.

Under the previous contract, LES was responsible for 12.5% of capital additions and improvements at the nuclear facility. Capital additions and improvements were billed to LES over periods ranging from six to eight years. LES recognized as purchased power approximately $818,000 in 2002 for its share of these costs.

Other Participation Contracts with NPPD

LES has participating interests in the output of two existing NPPD power plants, a thirty percent (approximately 68 MW) and eight percent (approximately 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' 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 $7,600,000 in 2002. LES recognizes its share of capital acquisition costs and debt service payments as power costs in the period the costs are billed. Fixed cost payments under the agreements are on a participation basis whether or not such plants are operating or operable. LES recognized expense for its share of the total fixed costs of approximately $16,900,000 in 2002.

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 expected fixed cost payments to NPPD under these contracts, including capital additions and improvements, debt service payments, and fixed costs and credits aggregate approximately $16,100,000, $15,400,000, $16,300,000, $15,500,000, and $15,800,000, respectively, in each of the five years subsequent to December 31, 2002.

Laramie River Station (LRS)

LES is an 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 $62,000,000 are reflected in utility plant at December 31, 2002.

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 approximately $118,000 per month through July 1, 2003, for demand charges. 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. At July 1, 2003, it was determined that the rate would continue at approximately $118,000 per month. 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 notice to terminate the agreement. During 2002, LES billed the County approximately $2,300,000 for demand and energy charges.

(15) INTERFUND BALANCES AND ACTIVITY

Balances Due To/From Other Funds at August 31, 2003, consists of the following:

Due To	Due From							
	General Fund	Street Construction	Federal Grants	Community Health Endowment	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	Total
General Fund	$ -	-	477,442	-	145,812	1,048,755	64	1,672,073
Nonmajor Governmental	715,009	800	4,685	-	76,719	-	-	797,213
Nonmajor Enterprise	3,460	6,928	-	-	33	-	-	10,421
Internal Service	341,738	5,579	10,303	148	53,250	16,212	29,396	456,626
Total	$ 1,060,207	13,307	492,430	148	275,814	1,064,967	29,460	2,936,333

"Due to" and "Due from" balances are recorded when funds overdraw their share of pooled cash. The total due to the General Fund includes $861,832 from the Emergency Medical Services Enterprise Fund for an advance made for cash flow needs. Of this amount, $608,106 is not expected to be repaid within one year. All remaining 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.

Transfers To/From Other Funds at August 31, 2003, consists of the following:

Transfer To	Transfer From						
	General Fund	Street Construction	Federal Grants	Nonmajor Governmental	Lincoln Electric System	Nonmajor Enterprise	Total
General Fund	$ -	-	-	642,937	1,180,611	31,486	1,855,034
Street Construction	-	-	-	7,520,400	-	-	7,520,400
Federal Grants	310,142	-	-	13,330	-	-	323,472
Nonmajor Governmental	16,022,182	1,479,627	16,492	4,084,133	-	397,428	21,999,862
Nonmajor Enterprise	443,158	-	-	942,239	-	-	1,385,397
Internal Service	5,547	-	-	7,645	-	-	13,192
Total	$ 16,781,029	1,479,627	16,492	13,210,684	1,180,611	428,914	33,097,357

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 and (2) use unrestricted revenues in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The variance of $389 on the Statement of Activities transfers is caused by the different fiscal year end dates used by the City (August 31) and Lincoln Electric System (December 31). Lincoln Electric System records an estimate for payments in lieu of taxes as an accrued liability at the end of their fiscal year. The City however, receives the transfer before the August 31 fiscal year end, and records the exact amount as a transfer in.

(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. For the year ended August 31, 2003, the City has a self-insured retention for workers' compensation exposures up to $400,000 per individual; building and contents exposures up to $50,000 per occurrence; law enforcement liability exposures up to $350,000 per occurrence; general liability exposures up to $250,000 per occurrence; public officials exposures up to $250,000 per occurrence; public transportation liability exposures up to $250,000 per occurrence; auto liability exposures up to $250,000, and employee long-term disability benefits, all of which are covered under the Insurance Revolving Fund which is included in the internal service funds. The self-insurance programs are administered through the Risk Management Division.

Workers' compensation is covered by a policy which provides statutory limits above the City's retention of $400,000 per individual. Law enforcement liability is covered by a policy which provides limits of $5 million per occurrence and $6 million in annual aggregate. General liability is covered by a policy which provides limits of $5 million per occurrence and $6 million in annual aggregate. Public officials liability provides limits of $5 million per occurrence and $5 million in annual aggregate. Auto liability and public transportation liability are covered by a policy which provides a limit of $5 million. The Nebraska Political Tort Claims Act limits the City's liability for tort claims to $1 million per individual and $5 million per occurrence. Settled claims have not exceeded coverage in any of the past three fiscal years.

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 (IBNR) 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 $5,143,840 were recorded at August 31, 2003. This is the actuarially estimated amount of claims based on an estimate of ultimate incurred and IBNR 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. These liabilities have been discounted using a 4.0% discount rate and a claim payment pattern based on the historical data of the City. The City has purchased no annuity contracts in the current fiscal year to resolve City of Lincoln claims.

The following is a summary of the changes in the estimated claims liability for the years ended August 31, 2003 and 2002:

	2003	2002
Balance at September 1	$ 5,507,344	4,762,334
Current year claims and changes in estimates	1,805,085	2,449,075
Claim payments	(2,168,589)	(1,704,065)
Balance at August 31	$ 5,143,840	5,507,344

(17) LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The City of Lincoln currently owns and operates a solid waste disposal area and a construction and demolition disposal area. 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 solid waste disposal area and five subsequent years on the construction and demolition disposal area. Although certain closure and postclosure care costs will be paid only near or after the date that the landfill stops 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 balance sheet date.

At August 31, 2003, the City had incurred a liability of approximately $3,834,000 for the solid waste disposal area which represents the amount of costs reported to date based on the approximately 31 percent of landfill capacity used to date. The remaining estimated liability for these costs is approximately $8.6 million which will be recognized as the remaining capacity is used (estimated to be approximately 23 years).

As of August 31, 2003, the City had incurred a liability of approximately $465,000 for the construction and demolition disposal area which represents the amount of costs reported to date based on the approximately 44 percent of landfill capacity used to date. The remaining estimated liability for these costs is approximately $599,000 which will be recognized as the remaining capacity is used (estimated to be approximately 17 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 which discontinued operations in 1990. Although exempt from the U.S. Environmental Protection Agency Solid Waste Disposal Facility Criteria issued October 9, 1991, the City must still adhere to certain closure and postclosure care requirements under prior legislation, including the construction of final cover soil, monitoring of ground water conditions and landfill gas migration, and general site maintenance. At August 31, 2003, a liability for closure and postclosure care costs is recorded in the amount of approximately $1,945,000, 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 will be identified once testing is completed and regulatory officials have made a final review of subsequent findings. Consequently, costs associated with the potential corrective action have not been accrued as of August 31, 2003.

(18) 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, 2003, the City made rental payments of approximately $2 million to the Commission.

As of August 31, 2003, the Commission has bonds outstanding of $38,500,000 attributable to several bond issues. Certain proceeds from the bonds totaling $5,400,000 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 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 65% of the new building and 38% 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.

Bonds of $8,330,000 have been issued to acquire and construct a parking facility adjacent to the County-City complex. The City's proportionate share of the parking facility will be recorded in capital assets upon completion, in relation to the ultimate transfer of the asset 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.

(19) JOINT ANTELOPE VALLEY AUTHORITY

Joint Antelope Valley Authority (JAVA) 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. JAVA constitutes a separate administrative entity, exercising the public power granted by the interlocal cooperation agreement on behalf of the three aforementioned "Partners" to coordinate planning and implementation of a public project described in the Antelope Valley Study and the U.S. Army Corps of Engineers Antelope Creek Feasibility Study (the Project). The Project generally includes community revitalization, transportation, and drainage/flood control improvements.

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

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

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.

(20) 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, have 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 $118,000 in 2002. The total amount of payments to LES for energy was approximately $67,000 in 2002.

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 to acquire services in order to furnish energy requirements, utility and infrastructure services, 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, has 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 $136,000 in 2002. The total amount of payments to LES for energy was approximately $4.8 million in 2002.

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE

SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE

The following is a brief summary of certain provisions contained in the Ordinance adopted with respect to the Bonds and should not be considered as a full statement thereof. This summary is qualified by reference to and is subject to the Ordinance, copies of which may be obtained at the office of the City Clerk.

Definitions

"Authorized Investments" means:

(1) Any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guarantee by, the United States of America, including obligations of any federal agency to the extent unconditionally guaranteed by the United States of America, and any certificate or any other evidences of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this paragraph (1);

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

(3) Any bonds or other obligations or specified portions thereof (which may consist of specified portions of the interest thereon) which the Finance Director of the City determines are of credit quality essentially equivalent to the investments described in paragraph (1) above, and any certificates or any other evidences of an ownership interest in obligations or specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this paragraph (3);

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

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

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

(7) Certificates of deposit, whether negotiable or nonnegotiable, issued by any bank or trust company organized under the laws of any state of the United States or any national banking association (including the Paying Agent) or any savings and loan association, in each case, which shall have provided the bond required by Section 15-846, Reissue Revised Statutes of Nebraska, as amended, and is an insured depository institution (as defined in 12 U.C.C. §§ 1801 et seq.) provided that the aggregate principal amount of all certificates of deposit issued by any such bank, trust company, national banking association or savings and loan association which are purchased with money held in any fund or account under the Ordinance shall not exceed at any time 10% of the total capital, surplus and undivided earnings of such bank, trust company, national banking association or savings and loan association unless such certificates of deposit are (a) fully insured by the federal Deposit Insurance Corporation or (b) secured, to the extent not insured by the federal Deposit Insurance Corporation, by such securities as are described in paragraphs (1) through (6) or (8) through (11) of this definition having market value (exclusive of accrued interest, other than accrued interest paid in connection with the purchase of such securities) at least equal to the principal amount of such certificates of deposit (or portion thereof not insured by the federal Deposit Insurance Corporation) which shall be lodged with the City Treasurer, the Paying Agent or another fiduciary, as custodian, by such bank, trust company, national banking association or savings and loan association, and such bank, trust company, national banking association or savings and loan association shall furnish the City Treasurer or Paying Agent, as the case may be, with an undertaking satisfactory to him that the aggregate market value of all such obligations securing such certificates of deposit will at all times be an amount which meets the requirements of this clause (b) and the City Treasurer or Paying Agent, as the case may be, shall be entitled to rely on each such undertaking;

(8) Bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by any corporation which are, at the time of purchase, rated by Moody's or S&P in either of its two highest whole rating categories, for comparable types of debt obligations;

(9) Any repurchase agreement which is secured by any one or more of the securities described in paragraphs (1), (2), (3), (4), or (5) above;

(10) Interests in a portfolio of debt instruments containing only obligations described in any of the foregoing paragraphs, including, without limitation, a mutual fund or a money market fund satisfying the requirements of this paragraph (10), and;

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

"Debt Service" means as of any particular date of computation, with respect to any Bonds and with respect to any period, the aggregate of the amounts to be paid or set aside as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on such Bonds.

"Escrow Obligations" means (1) Government Obligations, (2) certificates of deposit issued by a bank or trust company which are (a) fully insured by the federal Deposit Insurance Corporation or similar corporation chartered by the United States or (b) secured by a pledge of any Government Obligations having an aggregate market value, exclusive of accrued interest, equal at least to the principal amount of the certificates so secured, which security is held in a custody account by a custodian satisfactory to the City Treasurer or Paying Agent, as the case may be, or (3)(a) evidences of a direct ownership in future interest or principal on Government Obligations, which Government Obligations are held in a custody account by a custodian satisfactory to the City Treasurer or the Paying Agent, as the case may be, pursuant to the terms of a

custody agreement in form and substance acceptable to the Paying Agent, and (b) obligations issued by any state of the United States or any political subdivision, public instrumentality or public authority of any state, which obligations are fully secured by and payable solely from Government Obligations, which Government Obligations are held pursuant to an agreement in form and substance acceptable to the City Treasurer or the Paying Agent, as the case may be, and, in any such case, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient money to make the payment secured thereby.

"Fiscal Year" means the twelve month period established by the City or provided by law from time to time as its fiscal year and as of the date of passage of the Bond Ordinance is the twelve month period commencing September 1 of any year and ending August 31 of the following year.

"Government Obligations" means direct and general obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America.

"Project Revenues" shall mean all net rents, proceeds, revenues and other income derived by the City by virtue of any lease, sale, conveyance or other disposition of any part of the Project, plus all sums received by the City as a result of damage to or destruction or condemnation of the Project, but shall not mean any part of the Tax Revenues.

"Reserve Requirement" means an amount equal to the least of (1) 10% of the stated principal amount of the Bonds, (2) the maximum annual principal and interest requirements on the Bonds, and (3) 125% of the average annual principal and interest requirements on the Bonds.

"Tax Revenues" shall mean, with respect to the Project, (a) those tax revenues referred to in the last sentence of the first paragraph of Section 12 of Article VIII of the Constitution of the State and in Section 18-2147, Reissue Revised Statutes of Nebraska, as amended, (b) all payments made in lieu thereof, and (c) such taxes, if any, as may be levied and collected by the City pursuant to the provisions of Section 18-2107(11) of the Redevelopment Law for the purpose of paying debt service on the Bonds.

Deposit of Proceeds and Existing Balances

Upon receipt of the proceeds of the Bonds, such proceeds shall be applied as follows:

(a) Proceeds of the Bonds in an amount equal to the Reserve Requirement shall be deposited into the Reserve Account of the Special Fund.

(b) The remaining proceeds of the Bonds shall be deposited into the Construction Fund established pursuant to the Bond Ordinance and shall be applied solely in payment of costs and expenses incident to the City Improvements, including, but not limited to, the Project, including the cost of any lawful purpose in connection with the City Improvements, any costs of construction and acquisition with respect to the City Improvements incurred by the City prior to the adoption of the Bond Ordinance, and necessary expenses in connection with the issuance and sale of the Bonds.

(c) If any sum remains in the Construction Fund after the full accomplishment of the objects and purposes for which the Bonds were issued, said sum shall be transferred to the Special Fund and applied as set forth under the caption "Funds and Accounts."

Funds and Accounts

The Ordinance creates and establishes the following special trust funds and accounts with the Finance Director of the City separate and apart from all other funds and money of the City under his control:

(1) The Special Fund, into which all Tax Revenues and Project Revenues are deposited when collected. There are four accounts in the Special Fund: the Debt Service Account, Reserve Account, Improvements Account, and Surplus Account. The Tax Revenues accumulated in the Special Fund shall be deposited into the following Accounts in the following priority; provided, however, that to the extent of credits made to any of the accounts referred to below from the proceeds of the sale of the Bonds or otherwise, the credits so provided for below need not be made:

(a) to the Debt Service Account such that the balance in such Account prior to the payment date of any principal or interest installment on the Bonds is equal to the amount due at such date. Money in the Debt Service Account are used solely to pay the principal and interest on the Bonds as the same become due, and, after such payment, such Account shall be restored by further deposits to the required balance. Any amounts representing interest capitalized from the proceeds of the Bonds shall also be credited to the Debt Service Account.

(b) to the Reserve Account from Tax Revenues, if sufficient, after deposits to the Debt Service Account, so that the balance in such account will be equal to the Reserve Requirement. Money in the Reserve Account is used solely to pay the principal of and interest on the Bonds in the event of deficiencies in Tax Revenues or for the last installment of principal and interest on the Bonds. Credits to the Reserve Account are made prior to credits to the Improvements and Surplus Accounts.

(c) to the Improvements Account, all of the Project Revenues and all of the Tax Revenues on hand on the date of issue, sale and delivery of the initial Series of Bonds issued under the Ordinance, which shall be applied by the City in the following order of priority: (i) to pay the costs of the City Improvements, including, but not limited to, the Project, and (ii) to pay the costs incurred in connection with other public improvements within the Project Area.

(d) to the Surplus Account, after credits to the Debt Service Account, Reserve Account and Improvements Account. If the Tax Revenues to be received for the next Fiscal Year by the City, based upon the most recent assessed valuation of taxable property of the Project furnished by the appropriate officer of Lancaster County, are at least equal to the Debt Service due in the next Fiscal Year, then any money in the Surplus Account in any Fiscal Year after making the transfers required by subparagraphs (a), (b) and (c) shall be used and applied by the City, and in the order of priority stated, to (i) pay the costs of the City Improvements, including, but not limited, to the Project, (ii) purchase and/or call and redeem Bonds, or (iii) pay the costs incurred in connection with providing other public improvements within the Redevelopment Area (as defined in the Ordinance).

(2) The Redemption Fund, in which deposits must be made in amounts sufficient to redeem any Bonds called for redemption. Money in the Redemption Fund are used solely to redeem Bonds upon the terms and conditions set forth in the Ordinance.

(3) The Construction Fund, in which the remainder of the net proceeds of the Bonds shall be deposited, shall be applied solely in payment of costs and expenses incident to the City Improvements with the Project Area, and the necessary expenses in connection with the issuance and sale of the Bonds.

If any sum remains in the Construction Fund after the full accomplishment of the Project and such other purposes for which the Bonds were issued, said sum shall be transferred to the Special Fund and applied as are other money in that fund.

Investment of Money in Funds and Accounts

Money in the Construction Fund and in the Debt Service Account, the Improvements Account and the Surplus Account in the Special Fund shall, to the fullest extent practicable and reasonable, be invested and reinvested by the Finance Director, to the extent allowed by law solely in, and obligations deposited in such fund and accounts shall be, Authorized Investments which shall mature or be subject to redemption at the option of the holder thereof on or before the respective dates when the money in such fund and accounts will be required for the purposes intended. Money in the Reserve Account in the Special Fund not required for immediate disbursement for the purposes for which said account is created shall, to the fullest extent practicable and reasonable, be invested and reinvested by the Finance Director, to the extent allowed by law solely in, and obligations deposited in said Reserve Account shall be, Authorized Investments which shall mature or be subject to redemption at the option of the holder not later than the final maturity date of the Bonds.

Authorized Investments purchased as an investment of money in the Construction Fund or any of the accounts in the Special Fund are deemed at all times to be a part of such fund or account and the interest accruing thereon and any gain realized from such investment is credited to such fund or account and any loss resulting from any such authorized investment is charged to such fund or account without liability to the City; provided, however, that any investment earnings on money or Authorized Investments held in any of the accounts in the Special Fund shall be deposited, during the period of construction of the City Improvements, into the Construction Fund, and provided further that any such investment earnings, after the completion of construction of the City Improvements, shall be deposited in the Debt Service Account and used to pay the principal of and interest on the Bonds as the same shall become due.

Refunding Bonds

Refunding Bonds may be issued at any time by the Finance Director for the purpose of refunding (including by purchase) at any time any Bond or Bonds, including amounts to pay principal and interest to the date of maturity or redemption (or purchase) and the expenses of issuing the Refunding Bonds and of effecting such refunding; provided that the Debt Service on all Bonds to be outstanding after the issuance of the Refunding Bonds shall not be greater in any Fiscal Year than would have been the Debt Service in such Fiscal Year were such refunding not to occur.

Certain Covenants and Agreements

Certain covenants and agreements of the City with the purchasers and holders of the Bonds contained in the Ordinance, are summarized as follows:

1. The City will diligently carry out and continue to completion the Project in accordance with the Plan and the Redevelopment Law in a sound and economical manner.

2. The City will deposit and use the proceeds of the sale of the Bonds as provided in the Ordinance and will cause all properties owned by it and comprising any part of the Project to be managed and operated in a sound and businesslike manner.

3. The City will not issue any obligations having a lien on the Tax Revenues superior to the lien in favor of the Bonds on such Tax Revenues.

4. The City will duly and punctually pay or cause to be paid the principal of, premium, if any, and interest on the Bonds on the dates, at the places and in the manner provided in the Bonds and will faithfully do and perform and fully observe and keep any and all covenants, undertakings, stipulations and provisions contained in the Bonds and in the Ordinance.

5. The City will keep or cause to be kept proper books of account completely and accurately depicting all transactions relating to the Project, the Project Revenues, the Tax Revenues and funds relating to the Project. The City will further cause such books of account to be audited within 180 days after the close of each of its fiscal years by an independent certified public accountant. The audit report will be available to any bondholder upon written request.

6. The City will deposit into the Special Fund the net proceeds realized by it from the taking of any part of the City Improvements by eminent domain proceedings or other lawful proceedings for any use under which the properties are tax exempt and will deposit such net proceeds into the Improvements Account of the Special Fund and used and applied as set forth in paragraph (1)(c) under the caption "Funds and Accounts" herein.

7. The City will, to the extent permitted by law, defend, preserve and protect the pledge of and security interest granted with respect to the Tax Revenues, the Project Revenues and other money, securities and funds pledged under the Ordinance and all the rights of the bondholders under the Ordinance against all claims and demands of all persons.

8. The City will not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any of the interest thereon by the purchase or funding of such Bonds or claims interest or by any other arrangement.

9. The City will comply with all applicable federal laws and regulations pertaining to the exclusion of interest on the Lincoln Mall Bonds from gross income for federal income tax purposes.

Amendments; Supplemental Ordinances

Without the consent of the holders of any Bonds, the City may adopt supplemental ordinances for certain purposes, including to issue refunding bonds, to add covenants of the City for further securing the payment of the Bonds, to surrender any rights, power or privilege reserved to or conferred upon the City by the Ordinance, to confirm as further assurances any pledge under the Ordinance and to cure any ambiguity or defect or inconsistent provision or omission or mistake or manifest error in the Ordinance.

With the consent of the holders of not less than a majority of Bonds then outstanding, amendments to the Ordinance may be made by the City, provided, however, that no such amendment shall, without the specific consent of the Owner of each such Bonds which would be affected thereby: (1) change the fixed maturity date for the payment of interest thereon or the terms of the redemption thereof, or reduce the principal amount of any Bond or the rate of interest thereon or the redemption price; (2) reduce the percentage of Bonds, the Owners of which are required to consent to any supplemental ordinance amending or supplementing the provisions of the Ordinance; (3) give to any Bond or Bonds any preference over any other Bond or Bonds secured by the Ordinance; (4) authorize the creation of any pledge of the Tax Revenues or the Project Revenues and other money and securities pledged under the Ordinance, prior, superior or equal to the pledge of and lien and charge thereon created in the Ordinance for the payment of the Bonds; or (5) deprive any Owner of the Bonds in any material respect of the security afforded by the Ordinance.

Discharge of Obligations

The obligations of the City under the Ordinance and the pledges, charges, trusts, covenants and agreements of the City therein made or provided for shall be fully discharged and satisfied as to any Bond and such Bond shall no longer be deemed to be outstanding thereunder, when such Bond shall have been canceled or surrendered for cancellation or is subject to cancellation, or shall have been purchased by the City from money held by it under the Ordinance; or as to any Bond not canceled or surrendered for cancellation or subject to cancellation or so purchased, when payment of the principal of and premium, if any, on such Bond, plus interest on such Bond to the due date thereof either (a) shall have been made or caused to be made in accordance with the terms thereof, or (b) shall have been provided for by irrevocably depositing with the Paying Agent, in trust, and irrevocably appropriating and setting aside exclusively for such payment, either (1) money

sufficient to make such payment or (2) Escrow Obligations maturing as to principal and interest in such amount and at such times as will insure the availability of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the Paying Agent shall have been paid or the payment thereof provided for to the satisfaction of the Paying Agent. With respect to Bonds called or to be called for redemption prior to the stated maturity thereof, notice of redemption shall have been duly given or provision satisfactory to the Paying Agent shall have been made therefor, or waiver of such notice, satisfactory in form, shall have been filed with the Paying Agent.

APPENDIX D

CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the **"Disclosure Certificate"**) is executed and delivered by the City of Lincoln, Nebraska (the **"City"**) in connection with the issuance by the City of $5,500,000 in aggregate principal amount of its Entertainment Center/Old Federal Building Redevelopment Project Taxable Tax Allocation Bonds, Series 2004 (the **"Bonds"**). The Bonds are being issued pursuant to Ordinance No. 18213 duly passed and adopted by the City Council on July 28, 2004 and approved by the Mayor on July 31, 2004 (the **"Ordinance"**). The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

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

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth in **Exhibit B**.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of Nebraska.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Certificate, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) The City shall, not later than May 1 of each year, commencing May 1, 2005, provide to each Repository an Annual Report which is consistent with the requirements of **Section 4** of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in **Section 4** of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under **Section 5**.

(b) If the City is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the City shall send a notice to each Repository, the Municipal Securities Rulemaking Board and the State Repository, if any in substantially the form attached as **Exhibit A**.

(c) The City shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

(ii) file a report with the City Clerk certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the City for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Such financial and operating data as the City customarily provides in its Comprehensive Annual Financial Report.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this **Section 5**, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(a) principal and interest payment delinquencies;

(b) non-payment related defaults;

(c) modifications to rights of the owner of Bonds;

(d) optional, contingent or unscheduled bond calls;

(e) defeasances;

(f) rating changes;

(g) adverse tax opinions or events affecting the Bonds;

(h) unscheduled draws on the debt service reserves reflecting financial difficulties;

(i) release, substitution or sale of property securing repayment of the Bonds;

(j) unscheduled draws on credit enhancements reflecting financial difficulties; or

(k) substitution of credit or liquidity providers, or their failure to perform.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the City has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the City shall promptly file a notice of such occurrence with the Repositories and the Municipal Securities Rulemaking Board. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Ordinance.

Section 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under **Section 5**.

Section 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of **Sections 3(a)**, **4**, or **5(a)**, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Ordinance for amendments to the Ordinance with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under **Section 5**, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 8. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 9. Default. In the event of a failure of the City comply with any provision of this Disclosure Certificate, any Holder 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 City, as the case may be, to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Ordinance, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: _____, 2004.

CITY OF LINCOLN, NEBRASKA

By_____
Finance Director

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: **City of Lincoln, Nebraska**

Name of Issue: _____ **Tax Allocation Bonds, Series 2004**

Date of Issuance: _____**, 2004**

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds. The City anticipates that the Annual Report will be filed by _____.

Dated:_____

CITY OF LINCOLN, NEBRASKA

By: _____
Finance Director

EXHIBIT B

Nationally Recognized Municipal Securities Information Repositories approved by the Securities and Exchange Commission as of March ___, 2004.

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, New Jersey 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
http://www.bloomberg.com/markets/muni_contactinfo.html
Email: Munis@Bloomberg.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
http://www.dpcdata.com
Email: nrmsir@dpcdata.com

FT Interactive Data
Attn: NRMSIR
100 William Street
New York, New York 10038
Phone: (212) 771-6999
Fax: (212) 771-7390 (Secondary Market Information)
(212) 771-7391 (Primary Market Information)
http://www.interactivedata.com
Email: NRMSIR@FTID.com

Standard & Poor's J. J. Kenny Repository
55 Water Street
45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
www.jjkenny.com/jjkenny/pser_descrip_data_rep.html
Email: nrmsir_repository@sandp.com

APPENDIX E

BOOK-ENTRY-ONLY SYSTEM

BOOK-ENTRY-ONLY SYSTEM

Generally

DTC will act as securities depository for the Bonds. Initially, ownership of one fully registered Bond for each maturity of the Bonds, as set forth on the inside front cover hereof, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC. Ownership interests in the Bonds will be available to purchasers only through a book-entry system (the **"Book-Entry System"**) maintained by DTC. The following discussion will not apply to Bonds if issued in certificated form. See "Discontinuance of Book-Entry-Only System" under this caption.

DTC and Its Participants

DTC, the world's largest depository, is a limited-purpose trust company organized under the laws of the State of New York, 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, as amended. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants (the **"Direct Participants"**) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (**"DTCC"**). DTCC, in turn is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers. 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 (the **"Indirect Participants;"** Direct Participants and Indirect Participants are herein referred to together as **"DTC 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.

Purchase of Ownership Interests

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit with respect to Bonds in the records of DTC. The ownership interest of each actual purchaser of each Bond (the **"Beneficial Owner"**) will be recorded through the records of the Direct Participant and Indirect Participant through which the purchase is made. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive a written confirmation providing details of the transaction, as well as periodic statements of their holdings, from the 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 Participants, acting on behalf of the Beneficial Owners. *Beneficial Owners will not receive certificates representing their ownership interest in the Bonds, except in the event use of the book-entry system for the Bonds is discontinued as specifically provided in the Ordinance.*

Each person for whom a Participant has an interest in the Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant and may desire to make arrangements with such Participant to have all notices of redemption and other communications with respect to the Bonds that may affect such person forwarded in writing by such Participant and to be notified of all interest payments. THE CITY WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR

WHOM THEY ACT AS NOMINEES WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT; (ii) THE PAYMENT BY ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT, REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (iii) THE DELIVERY BY ANY PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE ORDINANCE TO BE GIVEN TO BONDHOLDERS; (iv) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (v) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

Payments of Principal, Premium, if any, and Interest

So long as any Bond is registered in the name of DTC's nominee, all payments of principal, and redemption premium, if any, and interest on, such Bond will be made to DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Registrar, on the payable date in accordance with their respective holdings shown on the records of DTC. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such DTC Participant and not of DTC, the Registrar or the City, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of the principal of, redemption premium, if any, and interest on the Bonds to DTC is the responsibility of the City and 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 DTC Participants.

Notices

Any references in this Official Statement to notices or other communications to be provided to bondholders by the City or the Registrar will be given only to DTC. Conveyance of notices and other communications by DTC or Direct Participants. By Direct Participants to Indirect Participants, and by DTC Participants to Beneficial Owners, will be governed by arrangements among them, subject to any statutory and regulatory requirements as may be in effect from time to time. Neither the City nor the Registrar will have any responsibility or obligation to assure that any such notice is forwarded by DTC to the DTC Participants or by any DTC Participant to the Beneficial Owner.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Bonds to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigned Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Transfers and Exchanges of Beneficial Ownership Interests

Transfers of beneficial ownership interests in the Bonds will be accomplished by book entries made by DTC and the Participants who act on behalf of the Beneficial Owners. For every transfer and exchange of the Bonds, the Registrar, DTC and the Participants may charge the Beneficial Owner a sum sufficient to cover any tax, fee or other governmental charge required to be paid with respect thereto and may charge a sum sufficient to pay the cost of preparing and authenticating each new Bond.

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 record reflect only the identity of the Direct Participants to whose accounts the Bonds are

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

Transfers of Bonds

Registered ownership of the Bonds, or any portions thereof, may not be transferred on the books of the Registrar except:

To any successor of DTC or its nominees;

To any substitute depository designated by the City upon the resignation or termination of DTC or its successor (or any substitute depository or its successor) from its functions as depository;

To any person, upon discontinuance of the Book-Entry System as described below.

The City and the Registrar shall be entitled to treat the owner of the Bonds (initially, Cede & Co.) as the absolute owner thereof for all purposes of the Ordinance and any applicable laws, notwithstanding any notice to the contrary received by any of them. The City and the Registrar will have no responsibility for transmitting payments to, communicating with, notifying or otherwise dealing with any Beneficial Owners of the Bonds. Neither the City, the Registrar nor the Registrar will have any responsibility or obligation, legal or otherwise, to the Beneficial Owners or to any other party including DTC or its successor (or substitute depository or successor), except to the owners of any Bond as shown on the registration books of the Registrar. So long as all Bonds are registered in the name of Cede & Co., the City, the Registrar and the Registrar are to cooperate with DTC or its nominee in effecting payment of the principal, and redemption premium, if any, and interest on, the Bonds by arranging for payment in such manner that funds for such payments are properly identified and are made to DTC when due.

Neither the City, the Registrar nor the Registrar shall be required to transfer or exchange Bonds from the Record Date through and including the next succeeding interest or principal payment date for the Bonds or from the Record Date next preceding any selection of Bonds to be redeemed or thereafter until after the first mailing of any notice of redemption; or to transfer or exchange any Bonds called for redemption.

Discontinuance of Book-Entry-Only System

DTC's services with respect to the Bonds may be discontinued or terminated at any time under the following circumstances:

(a) DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the City and discharging its responsibilities with respect thereto under applicable law.

(b) The City, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Bonds if the City determines that DTC is unable to discharge its responsibilities with respect to the Bonds or that a continuation of the requirement that all of the outstanding Bonds be registered in the registration books kept by the Registrar in the name of Cede & Co., or any other nominee of DTC, is not in the best interests of the Beneficial Owners of the Bonds.

In the event that DTC's services are so discontinued or terminated because it is unwilling or is determined to be unable to discharge its responsibilities, and no substitute securities depository willing to undertake the functions of DTC under the Ordinance can be found which, in the opinion of the City, is willing and able to undertake such functions upon reasonable and customary terms, or in the event it is so determined that continuation of the system of book-entry transfers is not in the best interests of the Beneficial Owners, the City is obligated to deliver Bond certificates, at the expense of the Beneficial Owners, as described in the Ordinance.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement, it should be understood that while the Bonds are in the Book-Entry System, references in other sections of this Official Statement to owners should be read to include the person for whom the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry System and (ii) notices that are to be given to owners by the City or the Registrar will be given only to DTC.

The foregoing information in this section regarding DTC and the Book-Entry System is based solely on information provided by DTC. No representation is made by the City or the Underwriter as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof