NEW ISSUE **RATING: Moody's "Aaa"**
BOOK-ENTRY ONLY **See "RATING"**
NOT BANK QUALIFIED

In the opinion of Special Tax Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended, the Interest Portion of Basic Rent Payments paid by the City and distributed to the registered owners of the Series 2009 Certificates is excludable from gross income for federal and Nebraska income tax purposes, except as described in this Official Statement, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The Series 2009 Certificates have not been designated a "qualified tax-exempt obligations within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. See ***"TAX MATTERS."***

OFFICIAL STATEMENT
$2,500,000
CERTIFICATES OF PARTICIPATION
SERIES 2009
Evidencing Proportionate Interests of the Owners Thereof in Basic Rent Payments to be Made by THE CITY OF LINCOLN, NEBRASKA
as Lessee pursuant to a Lease Purchase Agreement with Union Bank and Trust Company, as Lessor

Dated: date of delivery **Due: March 15, as shown below**

The Series 2009 Certificates will be executed and delivered in fully registered form in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (**"DTC"**), New York, New York. DTC will act as securities depository for the Series 2009 Certificates. Purchases of the Series 2009 Certificates will be made in book-entry form, in the denomination of $5,000 or any integral multiple thereof as described above. Purchasers will not receive certificates representing their interests in Series 2009 Certificate purchases. So long as Cede & Co. is the registered owner of the Series 2009 Certificates, as nominee of DTC, references herein to the Registered Owners shall mean Cede & Co. and shall not mean the Beneficial Owners (herein defined) of the Series 2009 Certificates. Interest Portions of Basic Rent represented by the Series 2009 Certificates are payable semiannually on March 15 and September 15 of each year, to and including the date of maturity or prepayment, whichever is earlier, commencing on September 15, 2009.

The Series 2009 Certificates evidence the ownership of proportionate interests in, and rights to receive payments under, a Lease Purchase Agreement dated May 20, 2009 (the **"Lease"**), between Union Bank and Trust Company, a state banking corporation (the **"Trustee"**), as lessor, and The City of Lincoln, Nebraska (the **"City"**), as lessee. The Series 2009 Certificates are executed and delivered pursuant to a Declaration of Trust dated May 20, 2009, made by the Trustee. Neither the Series 2009 Certificates nor the Basic Rent Payments are obligations of the Trustee, and the Trustee does not have any obligations under or with respect to the Series 2009 Certificates or the Basic Rent Payments.

The Series 2009 Certificates are subject to optional prepayment prior to maturity as described herein. See **"THE SERIES 2009 CERTIFICATES OF PARTICIPATION - Prepayment."**

The Series 2009 Certificates constitute interests in Basic Rent Payments to be made by the City. The Basic Rent Payments are payable from the City's General Fund, which includes the City's sales tax revenue and ad valorem taxes levied by the City against all taxable property in the City. See **"NEBRASKA LAWS RELATED TO BUDGETS AND TAXATION."**

Maturity (March 15)	Principal Amount	Interest Rate	Yield	Price	CUSIP Number (534266)
2010	$245,000	2.500%	0.750%	101.426%	CL3
2011	230,000	2.500	1.100	102.514	CM1
2012	235,000	2.375	1.500	102.405	CN9
2013	240,000	2.375	1.750	102.298	CP4
2014	245,000	2.500	2.100	101.822	CQ2
2015	250,000	2.500	2.500	100.000	CR0
2016	255,000	2.750	2.700	100.222	CS8
2017	260,000	3.000	3.000	100.000	CT6
2018	265,000	3.250	3.250	100.000	CU3
2019	275,000	3.500	3.500	100.000	CV1

The Series *2009 Certificates are offered when, as and if executed and delivered by the Trustee, subject to the approval of their validity by Gilmore & Bell, P.C., Special Tax Counsel, as described herein. Certain legal matters will be passed upon for the City by John V. Hendry, City Attorney. It is expected that the Series 2009 Certificates in definitive form will be available for delivery at The Depository Trust Company in New York, New York, on or about May 20, 2009.*

DAVIDSON COMPANIES D.A. Davidson & Co.
member SIPC

The date of this Official Statement is May 6, 2009.

THE CITY OF LINCOLN, NEBRASKA

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

MAYOR
Christopher Beutler

CITY COUNCIL
Robin Eschliman (Chair)

Jon Camp
Jonathan Cook
Doug Emery
Dan Marvin
John Spatz
Ken Svoboda

DEPARTMENT HEADS

Donald Herz ..... Finance Director
John Hendry ..... City Attorney
Marvin Krout ..... Planning Director
Lynn Johnson ..... Parks and Recreation Director
Terry Bundy ..... LES Administrator and CEO
David Landis ..... Urban Development Director
Pat Leach ..... Library Director
Greg MacLean ..... Public Works and Utilities Director
Bruce Dart ..... Health Director
Mark Koller ..... Personnel Director
Thomas Casady ..... Police Chief
Niles Ford ..... Fire Chief
Fred Hoke ..... Building and Safety Director

Peggy Tharnish, City Controller

SPECIAL TAX COUNSEL

Gilmore & Bell, P.C.
Lincoln, Nebraska

LESSOR AND TRUSTEE

Union Bank and Trust Company
Lincoln, Nebraska

UNDERWRITER

D. A. Davidson & Co.
Omaha, Nebraska

FINANCIAL ADVISOR

Ameritas Investment Corp.

Lincoln, Nebraska

REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, sales representative or other person has been authorized by the City or the Underwriter to give any information or to make any representations with respect to the Series 2009 Certificates other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2009 Certificates by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been furnished by the City and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, by the Underwriter. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2009 CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE SERIES 2009 CERTIFICATES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY STATE SECURITIES OR "BLUE SKY" LAWS. THE SERIES 2002 CERTIFICATES ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION.

TABLE OF CONTENTS

Page

INTRODUCTION 1
- Purpose of the Official Statement 1
- The City 1
- Plan of Financing 1
- The Financing Documents 2
- Financial Statements 2
- Continuing Disclosure 2
- Definitions and Descriptions; Inspection of Documents 2

THE SERIES 2009 CERTIFICATES OF PARTICIPATION 3
- General Provisions 3
- Payment of Basic Rent and Prepayment Price 3
- Transfer and Exchange 3
- Prepayment 4
- Book-Entry Only System 5

SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES 5
NEBRASKA LAWS RELATED TO BUDGETS AND TAXATION 6
ADDITIONAL CERTIFICATES 7
THE TRUSTEE 7
RISK FACTORS 7
- Inability to Liquidate 7
- Effects on the Tax Exemption of the Certificates Upon a Termination 7

THE EQUIPMENT 8
- Description of the Equipment 8

ESTIMATED SOURCES AND USES OF FUNDS 8
SCHEDULE OF LEASE PAYMENTS 9
SUMMARY OF THE LEGAL DOCUMENTS 9
CONTINUING DISCLOSURE 9
RATING 10
LITIGATION 10
TAX MATTERS 10
- Opinion of Special Tax Counsel 10
- Other Tax Consequences 11

LEGAL MATTERS 11
UNDERWRITING 11
ADDITIONAL INFORMATION 12

APPENDIX A – THE CITY OF LINCOLN, NEBRASKA
APPENDIX B – FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR ENDED AUGUST 31, 2008, TOGETHER WITH AUDITORS' REPORT THEREON
APPENDIX C – DEFINITIONS AND SUMMARIES OF CERTAIN PRINCIPAL DOCUMENTS
APPENDIX D – FORM OF THE CONTINUING DISCLOSURE AGREEMENT
APPENDIX E – BOOK-ENTRY SYSTEM
APPENDIX F – FORM OF OPINION OF SPECIAL TAX COUNSEL

OFFICIAL STATEMENT

$2,500,000
CERTIFICATES OF PARTICIPATION
SERIES 2009
Evidencing Proportionate Interests of the Owners
Thereof in Basic Rent Payments to be Made by
THE CITY OF LINCOLN, NEBRASKA
as Lessee pursuant to a Lease Purchase Agreement with
Union Bank and Trust Company, as Lessor

INTRODUCTION

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

Purpose of the Official Statement

This Official Statement, including the cover page and the appendices hereto (the **"Official Statement"**), is provided to furnish information with respect to the sale and delivery of certificates of participation in the aggregate principal amount of $2,500,000 (the **"Series 2009 Certificates"**), representing the proportionate interests of the owners thereof (the **"Certificate Owners"**) in basic rent payments (the **"Basic Rent Payments"**) to be made by The City of Lincoln, Nebraska (the **"City"**), as the rental payments and purchase price of the interest of Union Bank and Trust Company, a state banking corporation, as lessor (the **"Trustee"**), in the hereinafter defined Equipment, pursuant to a Lease Purchase Agreement, dated May 20, 2009 (the **"Lease"**), entered into between the Trustee and the City, as lessee. See **"THE EQUIPMENT."**

The City

The City is a city of the primary class and political subdivision organized and existing under the laws of the State of Nebraska. The City is located in the geographic center of Lancaster County, Nebraska, and is the state capital, as well as the county seat. See **APPENDIX A: THE CITY** and **APPENDIX B: FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED AUGUST 31, 2008, TOGETHER WITH AUDITOR'S REPORT THEREON.**

Plan of Financing

The proceeds received from the sale of the Series 2009 Certificates will be used to (a) acquire and install street lights and related equipment (the **"Equipment"**) and (b) pay certain costs related to the execution and delivery of the Series 2009 Certificates.

Pursuant to the terms and conditions of the Lease and the Declaration of Trust, the Trustee and the City have agreed that the Trustee will pay, from proceeds of the sale of the Series 2009 Certificates, the cost of the Equipment.

The Series 2009 Certificates are payable solely from the Basic Rent Payments to be paid by the City under the Lease and, to the extent received by the Trustee, net proceeds of certain insurance policies, condemnation awards or proceeds from the liquidation of interests in the Equipment.

The Financing Documents

The Trustee will lease the Equipment, with the option to purchase, to the City pursuant to the Lease. The Lease will provide, among other things, for a term that commences on the date of delivery (May 20, 2009) of the Certificates, and ends on March 15, 2019, the date of the final maturity of the Certificates. The City is authorized to enter into the Lease pursuant to Ordinance No. 19236 passed by the Council on April 27, 2009 and approved by the Mayor on April 29, 2009 (the **"Ordinance"**).

The Series 2009 Certificates are being executed and delivered pursuant to a Declaration of Trust dated the date of delivery (the **"Declaration of Trust"**), made by the Trustee. Neither the Certificates nor the Basic Rent Payments are obligations of the Trustee, and the Trustee has no liability or obligation under or with respect to the Certificates or the Basic Rent Payments.

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

Financial Statements

The audited financial statements of the City for Fiscal Year ended August 31, 2008, are included in **APPENDIX B** hereto. The financial statements in **APPENDIX B** have been audited by BKD, LLP, Lincoln, Nebraska, independent auditors, whose report thereon is also included in **APPENDIX B** hereto.

Continuing Disclosure

The City agrees in a Continuing Disclosure Certificate dated the date of delivery (the **"Disclosure Certificate"**) to provide certain annual financial information and operating data relating to the City by not later than May 1 of each year (the **"Annual Report"**), commencing May 1, 2010, and to provide notices of the occurrence of certain enumerated events, if deemed by the City to be material. See **APPENDIX D: FORM OF THE CONTINUING DISCLOSURE CERTIFICATE**.

Definitions and Descriptions; Inspection of Documents

Certain capitalized terms used in this Official Statement and not otherwise defined herein shall have the meanings given to such terms in **APPENDIX C: DEFINITIONS AND SUMMARIES OF CERTAIN PRINCIPAL DOCUMENTS**. Summaries of the Lease and the Declaration of Trust are also included in **APPENDIX C**. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Lease, the Declaration of Trust and the Continuing Disclosure Certificate are qualified in their entirety by reference to such documents, copies of which may be viewed at the principal corporate office of the City's Financial Advisor, Ameritas Investment Corp., Public Finance Department, 5900 "O" Street, Lincoln, Nebraska, Nebraska 68510, or will be provided by the Financial Advisor to any prospective purchaser requesting the same, upon payment by such prospective purchaser of the cost of complying with such request. All references to the Series 2009 Certificates are qualified in their entirety by the definitive terms thereof and the information with respect thereto included in the Lease, the Declaration of Trust and the Continuing Disclosure Certificate. Information concerning the City has been supplied by the City, and has not been verified by the Trustee, and the Trustee makes no representation or warranty, express or implied, as to the accuracy or completeness of such information.

THE SERIES 2009 CERTIFICATES OF PARTICIPATION

General Provisions

The Series 2009 Certificates are dated the date of delivery thereof, and will mature on March 15, in the amounts and in the years stated on the cover page hereof unless prepaid prior thereto.

Payment of Basic Rent and Prepayment Price

The Series 2009 Certificates will be delivered in the denomination of $5,000 each or any integral multiple thereof in book-entry form. Purchases of the Series 2009 Certificates will be made in book-entry only form in the denomination of $5,000 or any integral multiple thereof. Purchasers of the Series 2009 Certificates will not receive certificates representing their interests in the Series 2009 Certificates purchased. Each Series 2009 Certificate represents a proportionate interest in the Principal Portions and Interest Portions of the Basic Rent Payments to be paid by the City to the Trustee for the benefit of the Series 2009 Certificate Owners. Principal Portions of Basic Rent will be payable on March 15 of each year beginning March 15, 2010. Interest Portions of Basic Rent shall be payable semiannually on March 15 and September 15 of each year, beginning on September 15, 2009, to and including the date of maturity or prepayment, whichever is earlier. Under the Declaration of Trust, the Trustee is designated as the initial paying agent for the Series 2009 Certificates.

While the Series 2009 Certificates remain in book-entry form, payments to Beneficial Owners (defined herein) are governed by the rules of DTC as described in **"BOOK-ENTRY ONLY SYSTEM."** In the event that DTC ceases to act as securities depository for the Series 2009 Certificates, payment may be made as described below. Under the Declaration of Trust, the Trustee is designated as the initial paying agent for the Series 2009 Certificates.

Interest Portions of Basic Rent represented by the Series 2009 Certificates shall be payable by check or draft of the Trustee mailed to the Series 2009 Certificate Owners at the address of each Series 2009 Certificate Owner shown on the registration books maintained by the Trustee as of the close of business on the last day of the month next preceding the month in which each Interest Payment Date occurs (the **"Record Date"**), or at the written request of any Owner of Series 2009 Certificates in the aggregate Principal Portion of at least $500,000, by electronic transfer to the bank for credit to the ABA routing number and account number filed with the Trustee no later than 15 days prior to the record date.

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

Transfer and Exchange

While the Series 2009 Certificates remain in book-entry form, transfers of ownership by Beneficial Owners may be made as described under **"BOOK-ENTRY ONLY SYSTEM."** In the event that DTC ceases to act as securities depository for the Series 2009 Certificates, transfers may be effected as described below.

Books for the registration and transfer of the Series 2009 Certificates are to be kept by the Trustee, as registrar. Upon surrender for transfer of any Series 2009 Certificate at the principal payment office of the Trustee and satisfaction of the conditions and restrictions of such transfer, the Trustee is to execute and

deliver in the name of the transferee a new Series 2009 Certificate of the same maturity or maturities, interest rate and tenor as the Series 2009 Certificates surrendered. Series 2009 Certificates may be exchanged at the principal payment office of the Trustee for an equal aggregate principal amount of Series 2009 Certificates of the same maturity or maturities, interest rate and tenor as the Series 2009 Certificate surrendered. All Series 2009 Certificates presented for transfer or exchange must be accompanied by a written instrument of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the Trustee, duly executed by the Owner or by his attorney duly authorized in writing.

The Trustee is not required to transfer or exchange any Series 2009 Certificate after such Series 2009 Certificate has been called for prepayment.

The person in whose name any Series 2009 Certificate is registered is deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of either the Principal Portion or the Interest Portion of the Basic Rent Payments represented by any Series 2009 Certificate will be made only to or upon the written order of the registered owner thereof or his legal representative.

The Series 2009 Certificates are payable in lawful money of the United States of America which at the time of payment is legal tender for the payment of public and private debt. Series 2009 Certificates may be transferred at the principal payment office of the Trustee. Series 2009 Certificates may be exchanged for Series 2009 Certificates of the same maturity of other authorized denominations in accordance with the terms of the Declaration of Trust. For every such exchange or transfer of Series 2009 Certificates, the Trustee shall make a charge to the Series 2009 Certificate Owner sufficient to reimburse it for any tax, fee or other governmental charges required to be paid with respect to such exchange or transfer.

Prepayment

Optional Prepayment. The Series 2009 Certificates maturing on March 15, 2015, and thereafter are subject to optional prepayment, as a whole or in part, at any time on or after March 15, 2014, at the prepayment price of 100% of the Principal Portion of Basic Rent being prepaid set forth below, plus Interest Portions of Basic Rent accrued to the prepayment date.

Notice of Prepayment. Unless otherwise provided in the Declaration of Trust, notice of prepayment shall be given by the Trustee, not less than 30 days nor more than 60 days prior to the prepayment date, to the City and the Owner of each Series 2009 Certificate affected at the address shown on the registration books of the Registrar on the date such notice is mailed. Each notice of prepayment shall state the prepayment date, the place of prepayment, the prepayment price and, if less than all, the numbers of the Series 2009 Certificates to be prepaid. Such notice shall also state that the Interest Portion of the Basic Rent represented by the Series 2009 Certificates designated for prepayment shall cease to accrue from and after such prepayment date and that on said date the prepayment price will become due and payable on each of said Series 2009 Certificates.

So long as the book-entry only system is used for the Series 2009 Certificates, the Trustee will give any notice of prepayment or any other notices required to be given to owners only to DTC. Any failure of DTC to advise any DTC Participant or of any DTC Participant to notify the Beneficial Owner, of any such notice and its content or effect will not affect the validity of the prepayment of the Series 2009 Certificates so called for prepayment. Beneficial Owners may desire to make arrangements with a DTC Participant so that all notices of prepayment or other communications to DTC which affect such Beneficial Owners, including notification of all interest payments, will be forwarded in writing by such DTC Participant. See **"BOOK-ENTRY ONLY SYSTEM."**

The Trustee is also directed to comply with any mandatory or voluntary standards then in effect for processing prepayments of municipal securities established by the Securities and Exchange Commission. Failure to comply with such standards shall not affect or invalidate the prepayment of any Series 2009 Certificate to be prepaid.

Effect of Prepayment. Notice of prepayment having been duly given as provided, and funds sufficient for payment of the prepayment price of such Series 2009 Certificates being held by the Trustee, on the prepayment date designated in such notice, the Series 2009 Certificates so called for prepayment shall become due and payable at the prepayment price specified in such notice and the Interest Portion of Basic Rent represented by the Series 2009 Certificates so called for prepayment shall cease to accrue, said Series 2009 Certificates shall cease to be entitled to any benefit or security under the Declaration of Trust and the Owners of such Series 2009 Certificates shall have no rights in respect thereof except to receive payment of the prepayment price.

Book-Entry Only System

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

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

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

SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES

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

limitations now or hereafter imposed by law in such a manner that a sufficient portion of its tax levy or other money shall be lawfully available to pay the Rental Payments and any additional rent due under the Lease. Any property taxes levied by the City to make Rental Payments are subject to the budget and levy limitations described under **"NEBRASKA LAWS RELATED TO BUDGETS AND TAXATION."**

NEBRASKA LAWS RELATED TO BUDGETS AND TAXATION

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

Section 13-519 provides that for all fiscal years beginning on or after July 1, 1998, no governmental unit (including the City) may adopt a budget containing a total of budgeted restricted funds more than the last prior year's total of budgeted restricted funds plus allowable growth, plus a basic allowable growth percentage (initially 2½% until adjusted by the Legislature). Restricted funds generally include property taxes, excluding any amounts refunded to taxpayers, payments in lieu of property taxes, local option sales taxes, state aid, transfers of surpluses from any user fee, permit fee, or regulatory fee if the fee surplus is transferred to fund a service or function not directly related to the fee and the costs of the activity funded from the fee, any funds excluded from restricted funds for the prior year because they were budgeted for capital Equipment but which were not spent and are not expected to be spent for capital Equipment, and any excess tax collections returned to the county by a governmental unit as a result of overpayment due to clerical error or mistake. Allowable growth includes the percentage increase in taxable valuation in excess of the base limitation established under Section 77-3446, Reissue Revised Statutes of Nebraska, as amended, if any, due to improvements to real property as a result of new construction, additions to existing buildings, any improvements to real property which increase the value of such property and any increase in valuation due to annexation and any personal property valuation over the prior year. Such budget limitations may be exceeded by up to an additional 1% upon the affirmative vote of at least 75% of the governing body of the governmental unit, and larger increases are permitted with the approval of a majority of legal voters voting on the issue of such increase at a special election held for such purposes.

Under Section 77-3442, the rates for levying property taxes are limited for each type of governmental unit in the State. The rate for cities is no more than 45¢ per $100 of taxable valuation plus an additional 5¢ per $100 of taxable valuation may be levied to provide financing for a city's share of revenue required under an agreement executed pursuant to the Interlocal Cooperation Act, Chapter 13, Article 8, Reissue Revised Statutes of Nebraska, as amended, or the Joint Public Agency Act, Chapter 13, Article 25, Reissue Revised Statutes of Nebraska, as amended. A political subdivision may exceed the levy limitations provided in Section 77-3442 or a final levy allocation determination as provided in Section 77-3443 by an amount not to exceed a maximum levy approved by a majority of registered voters. The limitations of Section 13-519 do not apply to restricted funds pledged to retire bonded indebtedness, and the limitations of Section 77-3442 do not apply to property taxes levied for bonded indebtedness approved according to law and secured by a levy on property. The limitations of Section 13-519 and Section 77-3442 do apply to any property taxes levied by the City to pay Rental Payments under the Lease. The City's total levy (excluding bond levy) for the current fiscal year is $0.25324 per $100 of taxable valuation, which is expected to produce $40,356,000 in collected taxes.

ADDITIONAL CERTIFICATES

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

THE TRUSTEE

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

RISK FACTORS

Inability to Liquidate

The enforceability of the Certificates and the Lease is subject to applicable bankruptcy laws, equitable principles affecting the enforcement of creditors rights generally and liens securing such rights, and the police powers of the State and its political subdivisions. The Equipment are appropriate for use only as part of a street lighting system. Because of such limited use, and the delays inherent in obtaining the remedies involving such property, a potential purchaser of the Certificates should not anticipate that remedies could be accomplished rapidly, if at all. Any delays in the ability of the Trustee to exercise its remedies under the Lease or the Declaration of Trust may result in the payment of the Certificates or nonpayment of the Certificates after expenditures of any amount on deposit in the Reserve Fund.

Effects on the Tax Exemption of the Certificates Upon a Termination

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

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

THE EQUIPMENT

Description of the Equipment

The Equipment consist of light poles and related equipment, such as light fixtures, wiring, and other items necessary to complete the installation of new street lights in newly developed residential and commercial areas as well as replace, rebuild and relocate street lights in established areas.

ESTIMATED SOURCES AND USES OF FUNDS

The sources and application of funds in connection with the execution of the Series 2009 Certificates, exclusive of accrued interest, are estimated, based upon certain assumptions regarding the investment of such funds, as follows:

Sources of Funds:

Certificate Proceeds	$2,500,000.00
Plus: Net Original Issue Premium	25,472.85
Total Sources of Funds	$2,525,472.85

Applications of Funds:

Street Light Costs	$2,473,972.85
Costs of Issuance	52,500.00
Total Applications of Funds	$2,525,472.85

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

[The remainder of this page intentionally left blank.]

SCHEDULE OF LEASE PAYMENTS

The following table sets forth the scheduled amortization of the Series 2009 Certificates:

Fiscal Year Ending August 31	Principal Portion	Interest Portion	Total
2010	$245,000	$ 56,198.53	$ 301,198.53
2011	230,000	62,456.26	293,456.26
2012	235,000	56,706.26	291,706.26
2013	240,000	51,125.00	291,125.00
2014	245,000	45,425.00	290,425.00
2015	250,000	39,300.00	289,300.00
2016	255,000	33,050.00	280,050.00
2017	260,000	26,037.50	286,037.50
2018	265,000	18,237.50	283,237.50
2019	275,000	9,625.00	284,625.00
Totals	$2,500,000	$398,161.05	$2,898,161.05

SUMMARY OF THE LEGAL DOCUMENTS

Attached hereto as **APPENDIX C** are summaries of certain provisions of the Site Lease, the Lease and the Declaration of Trust as well as certain defined terms used therein. The summaries do not purport to be complete, and reference is made to the full text of the Lease and the Declaration of Trust, respectively, for a complete recital of their terms, as well as a complete recital of the defined terms used therein. Copies of all documents relating to the Series 2009 Certificates can be obtained from the Trustee upon payment by such prospective purchaser requesting the same, upon payment by such prospective purchaser of the cost of complying with such request.

CONTINUING DISCLOSURE

The City has determined that no financial or operating data concerning the Trustee is material to an evaluation of the offering of the Series 2009 Certificates or to any decision to purchase, hold or sell the Series 2009 Certificates, and the City will not provide any such information. The City has no responsibility to any person with respect to the provision of any information about the Trustee.

The City has covenanted for the benefit of the Beneficial Owners of the Series 2009 Certificates 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 May 1, 2010, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report and notices of material events will be filed by the City with the Municipal Securities Rulemaking Board using its Electronic Municipal Market Access system. The proposed form of the Continuing Disclosure Certificate between the City and the Trustee is attached to this Official Statement as **APPENDIX D – FORM OF CONTINUING DISCLOSURE CERTIFICATE**. These covenants have been made in order to assist the Underwriter in complying with SEC 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 Lease, although Beneficial Owners 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 Series 2009 Certificates in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2009 Certificates and their market price. The City is in compliance with each prior undertaking made by it pursuant to the Rule.

RATING

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

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

LITIGATION

The Transcript of Proceedings will contain a certificate of non-litigation dated as of the closing and executed by the City to the effect that there is no controversy, suit or proceeding of any kind pending or, to the knowledge of the City, threatened wherein or whereby any question is raised, or may be raised, questioning, disputing or affecting in any way the legal organization of the City, or the legality of any official act shown to have been done regarding the execution and delivery of the Lease or the Series 2009 Certificates or the constitutionality or validity of the obligation represented by the Series 2009 Certificates or the means provided for the Basic Rent Payments under the Lease.

TAX MATTERS

Opinion of Special Tax Counsel

Federal Tax Exemption. In the opinion of Gilmore & Bell, P.C., Special Tax Counsel, under existing law, the Interest Portion of Basic Rent Payments paid by the City and distributed to the registered owners of the Series 2009 Certificates (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal and Nebraska income tax purposes. The Interest Portion of Basic Rent Payments is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and is not taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinions set forth in this paragraph are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the **"Code"**), that must be satisfied subsequent to the execution of the Series 2009 Certificates in order that said Interest Portion of Basic Rent be, or continue to be, excludable from gross income for federal and Nebraska income tax

purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such Interest Portion of Basic Rent represented by the Series 2009 Certificates in gross income for federal and Nebraska income tax purposes retroactive to the date of the initial delivery of the Series 2009 Certificates. The Series 2009 Certificates have not been designated as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code.

Original Issue Premium. An amount equal to the excess of the purchase price of a Series 2009 Certificate over its stated redemption price at maturity constitutes premium on such Series 2009 Certificate. An owner of a Series 2009 Certificate must amortize any premium over such Series 2009 Certificate's term using constant yield principles, based on the Series 2009 Certificate's yield to maturity. As premium is amortized, the owner's basis in such Series 2009 Certificate and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocation to such owner. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Series 2009 Certificate prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Owners of Series 2009 Certificates purchased at a premium, whether at the time of initial issuance or subsequent thereto, should consult with their individual tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Series 2009 Certificates.

No Other Opinions. Special Tax Counsel expresses no opinion regarding other federal or State tax consequences arising with respect to the Series 2009 Certificates.

Other Tax Consequences

Prospective purchasers of the Series 2009 Certificates should be aware that ownership of the Series 2009 Certificates may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Series 2009 Certificates. Special Tax Counsel expresses no opinion regarding these tax consequences. Purchasers of Series 2009 Certificates should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the Series 2009 Certificates, including the possible application of state, local, foreign and other tax laws.

LEGAL MATTERS

All legal matters incident to the authorization, execution and delivery of the Series 2009 Certificates are subject to the approval of legality by Special Tax Counsel. Special Tax Counsel has participated in the preparation of this Official Statement but the factual and financial information appearing herein has been supplied or reviewed by the City, its officials and counsel. Certain legal matters will be passed upon for the City by its counsel, John V. Hendry, City Attorney, Lincoln, Nebraska.

UNDERWRITING

Subject to certain conditions precedent, the Underwriter has agreed to purchase all of the Certificates for reoffering to the public. The Certificates are being offered by the Underwriter at an

aggregate purchase price equal to the par amount thereof, plus net original issue premium in the amount of $25,472.85, and less an underwriting discount of $25,000.00

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

ADDITIONAL INFORMATION

Additional information with respect to the City and the Series 2009 Certificates may be obtained upon request from the City.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. This Official Statement is not to be construed as a contract or agreement between the City and Series 2009 Certificate Owners.

This Official Statement has been approved by the City and is submitted only in connection with the sale of the Series 2009 Certificates and may not be reproduced or used in whole or in part for any other purpose.

* * * * *

APPENDIX A

THE CITY OF LINCOLN, NEBRASKA

THE CITY OF LINCOLN

General

Lincoln, the capital of Nebraska, is located in southeastern Nebraska near the center of population of the state. The City was originally incorporated in 1869. It is approximately midway between Chicago and Denver. It has an area of 88.72 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 2008 population is 248,744.

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 7,124 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, and U.S. Highways 2, 6, 34, and 77.

Scheduled air service is provided by United Express and Delta/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. Ground transportation is furnished by Greyhound/BlackHills Stage Lines and local StarTran bus services.

Government Center

The State Capitol, an architectural achievement located in Lincoln, is considered one of the most impressive in all the 50 states. Other state governmental facilities in the City include the Nebraska Educational Telecommunications facility, the Nebraska Game and Parks Commission headquarters, the Lincoln Regional Center (state hospital), the Nebraska State Fair Park, and the Nebraska Penal Complex.

Federal agencies in Lincoln include regional offices of the U.S. Department of Agriculture (Mid-West Regional Technical Service Center), the Immigration & Naturalization Service and the Veterans Administration, as well as the state offices of other federal agencies. There is also a U.S. Veterans Medical Facility.

Lancaster County offices are also located in Lincoln, the county seat.

Education

The University of Nebraska, with approximately 23,000 students, Nebraska Wesleyan University, with approximately 2,000 students, Union College, with approximately 1,000 students, Kaplan University, with approximately 700 students and Southeast Community College, with approximately 10,000 students and with a number of facilities for both full-time and part-time occupational training, are in the City of Lincoln. The City's modern and progressive school system, with an enrollment of over 32,000 is served by 6 senior high schools, 10 middle schools, and 36 elementary schools. Lincoln is home to nearly 30 private and parochial schools. Lincoln's private school offerings range from pre-K to high school institutions. Affiliations include Roman Catholic, Lutheran, SDA, and nondenominational Christian.

Building Permits and Property Values

LAST TEN YEARS

FISCAL YEAR	COMMERCIAL 1 CONSTRUCTION # PERMITS	COMMERCIAL 1 CONSTRUCTION VALUE	RESIDENTIAL 1 CONSTRUCTION # PERMITS	RESIDENTIAL 1 CONSTRUCTION VALUE	PROPERTY VALUE 2 COMMERCIAL	PROPERTY VALUE 2 RESIDENTIAL	TOTALS
2008	1,064	$ 274,267,477	2,261	$ 149,678,215	$ 4,246,365,596	$ 10,723,170,809	$ 14,969,536,405
2007	994	293,968,408	2,820	202,786,768	4,236,340,817	10,402,515,684	14,638,856,501
2006	1,088	263,006,153	3,150	195,885,622	3,814,534,869	9,083,290,211	12,897,825,080
2005	1,092	204,677,969	3,387	277,158,200	3,694,097,147	8,727,702,573	12,421,799,720
2004	1,061	258,670,339	3,846	321,126,701	3,598,787,015	8,402,403,364	12,001,190,379
2003	1,036	269,298,229	3,913	315,666,242	3,094,988,486	7,255,640,292	10,350,628,778
2002	1,013	245,476,386	3,405	262,293,941	2,855,200,333	7,048,688,380	9,903,888,713
2001	1,017	215,856,679	3,212	231,390,626	2,540,905,431	6,273,610,610	8,814,516,041
2000	1,069	181,983,107	3,385	225,622,611	2,356,367,014	6,067,493,586	8,423,860,600
1999	1,148	186,569,754	3,235	206,065,342	2,132,780,337	5,726,511,673	7,859,292,010

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

Police and Fire Protection

Lincoln has fourteen fire stations manned by 247 firefighters and three police stations with 317 police officers.

City Employee Information

For the 2008-2009 fiscal year, contracts have been signed with all of our unions. Unions include: the Lincoln Police Union (LPU) representing police officers; the International Association of Firefighters (IAF) representing firefighters, the Amalgamated Transit Union (ATU) representing transit workers, the Public Association of Government Employees (PAGE) representing labor, trades, and clerical personnel, the City Employees Association (CEA) representing supervisory, highly technical, and professional personnel, and the Lincoln M Class Employees Association (LMCEA) representing upper management, administration and professional personnel. The LPU, IAF, ATU, CEA, LMCEA and PAGE contracts expire at the end of August, 2009.

Since the inception of labor contracts in 1970, the City of Lincoln has been able to handle its labor relations in such a manner as to avoid interruptions, although it has been necessary to use the facilities of the Nebraska Commission of Industrial Relations on issues involving the International Association of Firefighters, International Brotherhood of Police Officers, and the union representing labor, trades, and clerical personnel.

SELECTED ECONOMIC INDICATORS

LINCOLN SMSA (LANCASTER COUNTY)
NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT

	MAY 31, 2008		NOVEMBER 30, 2008	
	Number Employed	Percent of Total	Number Employed	Percent of Total
Manufacturing	13,909	8.2	13,623	8.1
	13,909	8.2	13,623	8.1
Nonmanufacturing:				
Natural Resource & Construction	7,510	4.4	7,381	4.4
Wholesale Trade	3,767	2.2	3,735	2.2
Retail Trade	17,250	10.2	18,332	10.9
Information	2,468	1.5	2,426	1.4
Financial Activities	12,489	7.5	12,500	7.3
Services (except domestic)	72,999	43.2	72,606	43.0
Government	38,419	22.8	38,249	22.7
Total Nonmanufacturing	154,902	91.8	155,229	91.9
TOTAL	168,811	100.0	168,852	100.0

Lincoln is proud to have some of the nation's leading industrial companies as local employers, including Goodyear Tire and Rubber Company, Burlington Northern Railroad, Archer-Daniels-Midlands Company, Kawasaki Motors Corporation USA, and Square D.

LINCOLN SMSA (LANCASTER COUNTY LABOR FORCE DATA 2008-1999)
(For the Calendar Year Indicated)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Civilian Labor Force	159,943	157,887	157,632	157,999	158,444	156,940	153,021	150,846	150,239	142,384
Unemployment	4,899	4,462	4,592	5,643	5,346	5,841	5,007	4,209	3,542	3,397
Percent of Labor Force	3.1	2.8	2.9	3.6	3.4	3.7	3.3	2.8	2.4	2.4
Employment	155,044	153,425	153,040	152,355	153,098	151,100	148,013	146,636	146,697	138,987

STATE OF NEBRASKA

Percent of Labor Force										
Unemployment	3.3	3.0	3.2	3.9	3.8	3.8	3.6	3.1	2.7	2.9

Source: State of Nebraska, Department of Labor

DEMOGRAPHIC STATISTICS
LAST TEN YEARS

Year	Population 1	Per Capita Personal Income 2	School Enrollment 3
2008	248,744	$	34,061
2007	241,167		33,466
2006	239,213	33,887	32,934
2005	238,625	32,526	32,505
2004	236,146	31,744	32,270
2003	235,565	30,807	31,889
2002	231,800	30,035	31,867
2001	225,588	29,318	31,581
2000	218,497	29,018	31,354
1999	217,537	27,127	31,052

Sources:

1 Lincoln/Lancaster Planning Department.

2 U.S. Dept. of Commerce Bureau of Economic Analysis.

Per Capital Income is based on Lincoln Metropolitan Statistical Area, which includes all of Lancaster and Seward Counties

Per Capita Income for 2007 and 2008 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
2008	77,532	93,419	126,978
2007	76,816	93,301	124,878
2006	75,919	92,824	123,376
2005	74,649	92,152	121,508
2004	73,059	91,046	119,456
2003	72,260	89,642	116,974
2002	69,704	89,085	114,388
2001	68,187	87,749	112,247
2000	66,956	86,501	110,414
1999	65,823	85,156	108,194

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 [3] Welfare	Mass [2] Transit	Debt Service	Totals
2008	$ 35,278,575	61,147,903	16,482,240	21,686,564	14,685,668	21,053,132	10,707,601	14,427,795	195,469,478
2007	33,946,258	60,953,651	17,430,452	21,719,544	11,670,315	20,378,863	14,877,357	11,589,720	192,566,160
2006	34,666,641	60,064,604	16,928,575	20,938,212	12,623,307	25,566,267	8,901,327	11,016,269	190,705,202
2005	32,532,685	58,669,932	17,064,845	21,669,847	14,870,592	19,126,931	8,306,921	10,562,993	182,804,746
2004	30,884,544	55,272,920	13,633,902	22,308,940	14,728,510	18,544,667	10,525,090	7,914,521	173,813,094
2003	28,938,852	50,933,285	12,317,663	19,935,823	16,469,645	17,614,751	7,996,019	8,507,223	162,713,261
2002	27,237,134	49,913,169	10,833,055	16,974,798	14,017,601	17,989,603	12,691,837	7,411,878	157,069,075
2001	23,821,580	48,122,074	11,175,059	14,806,760	12,559,336	15,862,462	-	7,742,690	134,089,961
2000	23,529,495	44,042,882	9,039,840	13,958,414	11,204,029	13,974,690	-	7,924,295	123,673,645
1999	21,891,174	41,555,922	9,406,531	13,254,994	10,215,261	11,709,801	-	9,181,071	117,214,754

[1] Includes General, Special Revenue, and Debt Service Funds.
[2] StarTran added as a Governmental Fund in 2002.
[3] Community Health Permanent Endowment Fund added as a Governmental Fund in 1999.

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
2008	$ 130,094,818	73,830,720	18,013,104	6,511,457	6,806,258	7,667,778	242,924,135
2007	125,328,388	63,928,043	19,126,239	6,491,112	10,371,565	7,052,107	232,297,454
2006	121,857,986	60,757,501	18,423,079	7,063,192	4,082,196	7,886,377	220,070,331
2005	119,318,079	63,180,171	16,535,049	6,936,334	4,327,311	12,028,417	222,325,361
2004	114,756,962	58,619,699	15,593,326	6,322,870	5,207,711	10,188,520	210,689,088
2003	107,114,577	52,773,424	12,679,623	6,097,336	4,353,336	8,234,138	191,252,434
2002 [2]	105,139,052	59,029,609	12,449,879	5,605,557	4,606,825	10,325,634	197,156,556
2001	95,016,014	48,619,317	9,638,475	5,071,766	8,005,027	9,146,189	175,496,788
2000	92,305,453	35,807,100	9,838,029	4,896,203	9,330,374	10,246,196	162,423,355
1999 [3]	88,259,613	35,600,952	8,685,268	4,366,482	8,016,026	7,684,411	152,612,752

[1] Includes General, Special Revenue and Debt Service Funds.
[2] StarTran added as a Governmental Fund in 2002.
[3] Community Health Permanent Endowment Fund added as a Governmental Fund in 1999.

SPECIAL ASSESSMENT COLLECTIONS
LAST TEN YEARS [1]

Fiscal Year Ended August 31	Special Assessment Collections Including Interest
2008	$ 1,418,936
2007	1,448,146
2006	1,667,037
2005	1,413,582
2004	2,104,925
2003	1,814,191
2002	1,867,653
2001	1,796,924
2000	1,948,791
1999	2,359,812

[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 2008 tax levy for the 2008-2009 fiscal year is $76,225,407 below the legal limit, a tax rate per $100 valuation of .28788. The assessed value upon which the 2008 levy is based is $15,935,572,737. By charter, only 90% of the property tax levy may be appropriated.

For the 2008-2009 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 2008-2009 the City can also use authority equal to the greater of 2.5% or the amount of real growth in the tax base which was 2.07%. An additional 1% can be authorized by a 75% vote of the City Council and was utilized for the 2008-2009 budget, for a total of 3.5%. The 2008-2009 budget is approximately $9.4 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, 2008	
		Amount	Percent	Amount	Percent
2008	$ 45,064,524	$ 43,561,215	96.66 %	$ 43,561,215	96.66 %
2007	43,475,089	41,848,163	96.26 %	43,423,136	99.88
2006	40,873,358	39,579,041	96.83	41,063,409	100.46
2005	38,755,995	37,514,748	96.80	38,868,537	100.29
2004	36,994,112	35,726,509	96.57	37,033,059	100.11
2003	35,007,926	33,676,453	96.20	35,040,484	100.09
2002	33,731,282	32,501,760	96.35	33,833,541	100.30
2001	31,159,364	29,936,079	96.07	31,146,108	99.96
2000	29,603,794	28,665,780	96.83	29,761,421	100.53
1999	27,597,664	26,411,546	95.70	27,511,095	99.69

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	2008 Assessed Valuations	Percentage Of Total Assessed Valuation
B & J Partnership Ltd.	Building Management	$ 71,277,149	.46%
Kawasaki	Manufacturing	67,771,007	.43
Alltel Communications	Telecommunications	64,440,889	.41
WEA Gateway LLC	Retail Management	59,248,573	.38
Pfizer	Animal Health	56,342,662	.36
Ameritas Life Insurance Corp	Insurance	52,204,964	.33
Chateau Van Dorn LLC	Real Estate Development	50,459,982	.32
Burlington Northern	Railroad	47,587,795	.30
Molex Inc.	Manufacturing	45,981,536	.29
Nebco	Construction/Development	44,339,244	.28
		$ 559,653,801	3.56%

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
2008	$ 55,733,297
2007	53,960,485
2006	54,270,346
2005	53,781,209
2004	51,869,477
2003	48,657,268
2002	45,393,491
2001	44,486,127
2000	43,608,313
1999	41,642,771

GENERAL FUND TAX COLLECTIONS
LAST TEN YEARS

Fiscal Year	Property and Motor Vehicle Taxes	Sales and Use Taxes	Sundry Taxes	Taxes In Lieu	Occupation Taxes	Total
2008	$ 32,181,660	55,733,297	18,600	1,511,404	9,670,060	99,115,021
2007	31,454,763	53,960,485	10,492	1,399,939	9,596,588	96,422,267
2006	28,366,526	54,270,346	9,526	1,315,038	8,936,502	92,897,938
2005	26,727,618	53,781,209	12,445	1,159,742	9,169,791	90,850,805
2004	24,546,532	51,869,477	9,263	1,144,747	9,037,781	86,607,800
2003	22,780,085	48,657,268	10,876	1,199,507	8,831,712	81,479,448
2002	23,353,414	45,393,491	8,403	1,163,468	9,097,442	79,016,218
2001	20,284,364	44,486,127	8,497	1,107,183	5,889,097	71,775,268
2000	19,487,198	43,608,313	8,522	1,043,287	5,651,371	69,798,691
1999	20,741,154	41,642,771	17,516	1,080,495	5,721,321	69,203,257

TAXABLE ASSESSED VALUATION
LAST TEN YEARS [1]

Tax Year		Real Estate	All Other	Total
2008	$	14,969,536,405	684,390,085	15,653,926,490
2007		14,638,856,501	703,307,287	15,342,163,788
2006		12,897,825,080	685,425,215	13,583,250,295
2005		12,421,799,720	716,716,506	13,138,516,226
2004		12,001,190,379	742,915,013	12,744,105,392
2003		10,350,628,778	779,959,389	11,130,588,167
2002		9,903,888,713	820,797,124	10,724,685,837
2001		8,814,516,041	806,431,814	9,620,947,855
2000		8,423,860,600	716,780,457	9,140,641,057
1999		7,859,292,010	660,609,204	8,519,901,214

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

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

	Tax Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
City of Lincoln	0.2879	0.2833	0.3009	0.2950	0.2903	0.3145	0.3145	0.3239	0.3239	0.3239
School District No. 1	1.2719	1.2764	1.3142	1.3141	1.3011	1.2830	1.2732	1.3684	1.3813	1.3050
Lancaster County	0.2755	0.2655	0.2841	0.2797	0.2683	0.2683	0.2583	0.2643	0.2584	0.2782
Educational Service Unit #18	0.0141	0.0141	0.0150	0.0150	0.0150	0.0150	0.0150	0.0150	0.0150	0.0149
Community Technical College	0.0689	0.0689	0.0696	0.0655	0.0655	0.0655	0.0636	0.0295	0.0334	0.0696
Lower Platte South Natural Res. Dist.	0.0418	0.0416	0.0422	0.0323	0.0323	0.0359	0.0365	0.0367	0.0372	0.0389
Railroad Transportation Safety Dist.	0.0260	0.0246	0.0260	0.0260	0.0248	0.0220	0.0221	0.0260	0.0260	0.0260
Agricultural Society of Lancaster County	0.0016	0.0016	0.0018	0.0020	0.0030	0.0012	0.0024	0.0073	0.0032	0.0013
Lancaster County Fairgrounds	0.0043	0.0037	0.0042	0.0042	0.0043	0.0050	0.0052	0.0000	0.0000	0.0000
Public Building Commission	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170
	2.0090	1.9967	2.0750	2.0508	2.0216	2.0274	2.0078	2.0881	2.0954	2.0748

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

DEBT MANAGEMENT

OUTSTANDING INDEBTEDNESS AS OF AUGUST 31, 2008

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

Original Amount	Issued	Issue	Interest Rate	When Due	Date Callable	Interest Date	Outstanding
Governmental Activities:							
General Obligation Bonds:							
General Bonds:							
14,435	03/01/99	Various Purpose Series A	3.000 - 4.600	Serial 2000 to 2014	2009	Semiannually	$ 6,860
7,365	03/01/99	Various Purpose Series A	4.750	Term 2019	2009	"	7,365
8,220	03/01/99	Various Purpose Series B	3.000 - 4.250	Serial 1999 to 2011	2007	"	1,805
6,350	05/29/02	Storm Sewer and Drainage	3.000 - 5.000	Serial 2004 to 2020	2010	"	5,245
1,150	05/29/02	Storm Sewer and Drainage	5.00	Term 2022	2010	"	1,150
15,595	07/08/03	Various Purpose	2.625 - 3.750	Serial 2004 to 2017	2013	"	8,415
3,710	07/08/03	Various Purpose	4.000 / 4.125	Term 2020 & 2023	2013	"	3,710
6,555	06/01/05	Storm Sewer Refunding	2.500 - 4.375	Serial 2005 to 2017	2011	"	5,320
9,950	06/15/05	Storm Sewer Construction	3.250 - 4.250	Serial 2006 to 2025	2015	"	8,850
8,295	06/27/07	Stormwater Drainage and Flood Mgmt	4.625 - 5.000	Serial 2008 to 2027	2017	"	8,040
	Total General Bonds						$ 56,760
Tax Allocation Bonds:							
1,035	04/21/04	Tax Allocation Bonds	2.000 - 3.200	Serial 2004 to 2011	2008	Semiannually	545
5,500	04/21/04	Tax Allocation Bonds	3.000 - 4.800	Serial 2004 to 2015	2010	"	4,155
365	08/15/05	Tax Allocation Bonds	4.750	Serial 2006 to 2018	Anytime	"	296
288	10/01/06	Tax Allocation Bonds	5.100	Serial 2008 to 2016	Anytime	"	274
2,205	04/05/07	Tax Allocation Bonds	5.000 - 5.550	Serial 2009 to 2018	2012	"	2,205
586	06/01/07	Tax Allocation Bonds	5.240	Serial 2008 to 2018	Anytime	"	566
388	06/01/07	Tax Allocation Bonds	5.240	Serial 2007 to 2020	Anytime	"	368
369	06/15/07	Tax Allocation Bonds	5.400	Serial 2007 to 2014	Anytime	"	328
42	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2021	Anytime	"	42
71	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2017	Anytime	"	71
474	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2022	Anytime	"	474
547	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	547
200	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	200
	Total Tax Allocation Bonds						$ 10,071
Tax Supported Bonds:							
3,200	06/13/00	Municipal Infrastructure Redevelopment	4.750 - 5.100	Serial 2001 to 2009	2005	Semiannually	$ 710
35,000	03/17/04	Highway Allocation Fund	2.000 - 5.000	Serial 2007 to 2023	2014	"	34,755
27,000	12/05/06	Highway Allocation Fund	4.000 - 5.000	Serial 2008 to 2027	2016	"	26,285
	Total Tax-Supported Bonds						$ 61,750
	TOTAL GENERAL OBLIGATION BONDS						$ 128,581
Tax Supported Bonds:							
11,080	3/13/02	Antelope Valley Project	1.500 - 5.000	Serial 2002 to 2016	2012	Semiannually	$ 7,900
Business-Type Activities:							
Revenue Bonds:							
39,235	07/31/03	Wastewater Revenue	2.000 - 5.000	Serial 2004 to 2023	2013	Semiannually	$ 31,340
15,765	07/31/03	Wastewater Revenue	4.625 / 5.000	Term 2025 & 2028	2013	"	15,765
18,000	08/03/05	Wastewater Revenue	4.000 - 5.000	Serial 2006 to 2030	2015	"	16,520
16,710	04/18/07	Wastewater Revenue	4.000 - 4.500	Serial 2008 to 2029	2017	"	16,350
3,750	04/18/07	Wastewater Revenue	4.375	Term 2032	2017	"	3,750
	Total Wastewater Bonds						$ 83,725
11,850	11/22/02	Water Revenue	2.750 - 5.000	Serial 2005 to 2017	2012	Semiannually	$ 8,775
6,660	11/22/02	Water Revenue	5.000	Term 2022	2012	"	6,660
32,180	05/01/03	Water Revenue	5.000	Serial 2004 to 2012	-	"	15,040
40,000	11/16/04	Water Revenue	3.000 - 5.000	Serial 2005 to 2025	2014	"	36,180
	Total Water Bonds						$ 66,655
6,815	09/08/99	Parking Revenue Series A	4.000 - 5.000	Serial 2000 to 2009	2009	Semiannually	$ 1,110
6,695	09/08/99	Parking Revenue Series A	5.375	Term 2014	2009	"	6,695
4,360	12/18/01	Parking Revenue	3.750 - 5.000	Serial 2002 to 2017	2011	"	2,725
1,640	12/18/01	Parking Revenue	5.125	Term 2021	2011	"	1,640
	Total Parking Bonds						$ 12,170
3,165	11/27/01	Golf Course Revenue Refunding	2.300 - 4.050	Serial 2002 to 2011	2008	Semiannually	$ 1,050
4,000	08/17/06	Solid Waste Management Revenue	4.000 - 4.250	Serial 2007 to 2021	2013	Semiannually	$ 3,625
148,190	10/01/02	Electric Revenue and Refunding Bonds	4.000 - 5.000	Serial 2004 to 2025	2012	"	113,355
93,045	10/01/03	Electric Revenue and Refunding Bonds	3.000 - 5.000	Serial 2004 to 2026	2014	"	87,350
33,265	10/01/03	Electric Revenue and Refunding Bonds	4.750	Term 2028	2014	"	33,265
61,290	10/01/05	Electric Revenue Bonds	5.000	Serial 2029 to 2032	2015	"	61,290
53,710	10/01/05	Electric Revenue Bonds	4.750	Term 2035	2015	"	53,710
183,230	05/15/07	Electric Revenue and Refunding Bonds	4.000 - 5.000	Serial 2009 to 2035	2016	"	183,230
81,850	05/15/07	Electric Revenue and Refunding Bonds	4.500 / 4.750	Term 2034 & 2037	2016	"	81,850
	Total Electric Bonds						$ 614,050
	TOTAL REVENUE BONDS						$ 781,275

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

Fiscal Year Ended August 31	Governmental Activities					
	General Obligation Bonds		Tax Supported Bonds		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	$ 7,440	5,464	635	350	2,979	1,057
2010	6,834	5,180	660	326	2,952	986
2011	7,323	4,907	685	299	2,982	890
2012	7,987	4,594	710	271	3,422	790
2013	7,871	4,257	740	238	2,189	675
2014 - 2018	42,058	15,816	4,470	535	8,939	2,153
2019 - 2023	35,168	7,189	-	-	2,958	891
2024 - 2028	13,900	1,184	-	-	2,153	252
	$ 128,581	48,591	7,900	2,019	28,574	7,694

Fiscal Year Ended August 31	Business-Type Activities			
	Revenue Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2009	$ 23,305	37,123	140	20
2010	27,730	36,006	146	13
2011	29,000	34,681	127	7
2012	28,750	33,305	65	1
2013	27,335	31,891	-	-
2014 - 2018	150,970	138,195	-	-
2019 - 2023	150,660	99,006	-	-
2024 - 2028	110,290	69,787	-	-
2029 - 2033	106,910	43,447	-	-
2034 - 2038	126,325	15,924	-	-
	$ 781,275	539,365	478	41

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 $4,828,448, $3,834,731, and $6,810,528 are currently available in the debt service funds to service the General Obligation Bonds, Tax Supported Bonds, and Tax Allocation Bonds, respectively. Revenue Bonds are funded partially from reserve accounts set up for debt repayment and partially from proceeds of daily operations.

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

	Governmental Activities	Business-Type Activities
Land	$ 515,750	$ 210,000
Buildings	11,914,750	-
Improvements	219,925	-
Infrastructure	9,424,088	-
Machinery and Equipment	1,838,042	3,113,553
Less Accumulated Depreciation, (where applicable)	(2,668,223)	(2,164,115)
Total	$ 21,244,332	$ 1,159,438

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

Established by City Ordinance, LES may borrow up to $150 million under a commercial paper note program. At December 31, 2007, LES had $90.0 million of tax exempt commercial paper notes outstanding. The notes mature at various dates but not more than 270 days after the date of issuance. The weighted-average interest rate for the year ended December 31, 2007, was 3.6 percent. The annual requirement to pay interest on this outstanding debt is approximately $3.2 million. The outstanding commercial paper notes are secured by a revolving credit agreement which provides for borrowings up to $150 million. LES pays a commitment fee for the credit agreement. Under the terms of the agreement LES can either settle or refinance the commercial paper upon maturity.

The general obligation debt of all local governmental units which provide services within the City's boundaries and which debt must be borne by properties in the City (commonly called overlapping debt) as of August 31, 2008, is summarized below (unaudited):

Governmental Units	Debt Outstanding	Estimated Percentage Applicable [1]	Direct And Overlapping Debt To The City
Direct:			
City	$ 128,581,000	100.0 %	$ 128,581,000
Overlapping:			
School District #1	249,065,000	99.5	247,820,000
Lower Platte South N.R.D.	6,750,000	75.4	5,090,000
Lancaster County	5,715,000	85.4	4,881,000
Public Building Commission	46,565,000	85.4	39,767,000
Lancaster County Fairgrounds	9,440,000	85.4	8,062,000
	317,535,000		305,620,000
Total	$ 446,116,000		$ 434,201,000

The City has no direct liability for the School District, Lower Platte South N.R.D., Lancaster County, Public Building Commission or Lancaster County Fairgrounds debt summarized above. This results in a per capita direct City debt of $516.92; a per capita direct and overlapping debt of $1,745.57; a ratio of direct City debt to 2008 actual valuation of .82 percent; and a ratio of direct and overlapping debt to 2008 actual valuation of 2.77 percent.

Debt Payment Record

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

Contingencies

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

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

Fiscal Year	Principal	Interest [3]	Total Debt Service	Total General Governmental Expenditures [1,2, 4]	Ratio Of Debt Service To Total General Expenditures
2008	$ 6,824,828	$ 5,979,172	$ 12,804,000	$ 195,469,478	6.55 %
2007	5,617,536	4,986,687	10,604,223	192,566,160	5.51
2006	5,770,794	4,670,734	10,441,528	190,705,202	5.48
2005	5,421,699	4,860,926	10,282,625	182,804,746	5.62
2004	4,934,224	2,893,437	7,827,661	173,813,094	4.50
2003	5,435,370	2,986,634	8,422,004	162,713,261	5.18
2002	4,921,172	2,421,303	7,342,475	157,069,075	4.67
2001	4,966,405	2,753,247	7,719,652	134,089,961	5.76
2000	5,125,296	2,772,021	7,897,317	123,673,645	6.39
1999	4,209,267	2,301,745	6,511,012	117,214,754	5.55

1 Includes: General, Special Revenue, and Debt Service Funds
2 Community Health Permanent Endowment Fund added as a Governmental Fund in 1999.
3 Does not include fiscal and miscellaneous charges.
4 StarTran added as a Governmental 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 Real Property [2]	Ratio Of Net Debt To Estimated Valuation Of Taxable Real Property
2008	128,581,000	$ 12,962,000	$ 115,619,000	248,744	$ 464.81	$ 15,653,926,490	0.74 %	$ 14,969,536,405	0.77 %
2007	133,413,000	11,574,000	121,839,000	241,167	505.21	15,342,163,788	0.79	14,638,856,501	0.83
2006	99,347,000	9,733,000	89,614,000	239,213	374.62	13,583,250,295	0.66	12,897,825,080	0.69
2005	104,538,000	13,364,000	91,174,000	238,625	382.08	13,138,516,226	0.69	12,421,799,720	0.73
2004	98,915,000	20,509,000	78,406,000	236,146	332.02	12,744,105,392	0.62	12,001,190,379	0.65
2003	61,759,000	17,083,000	44,676,000	235,565	189.65	11,130,588,167	0.40	10,350,628,778	0.43
2002	56,997,000	15,847,000	41,150,000	231,800	177.52	10,724,685,837	0.38	9,903,888,713	0.42
2001	54,418,000	11,243,000	43,175,000	225,588	191.39	9,620,947,855	0.45	8,814,516,041	0.49
2000	58,814,000	9,739,000	49,075,000	218,497	224.60	9,140,641,057	0.54	8,423,860,600	0.58
1999	60,508,000	12,182,000	48,326,000	217,537	222.15	8,519,901,214	0.57	7,859,292,010	0.61

1 Source: Lincoln/Lancaster Planning Department.

2 Assessed valuation is 100% of actual

REVENUE BOND COVERAGE
LAST TEN FISCAL YEAR

	Gross Revenue	Direct Operating Expenses	Net Available Revenue	Debt Service Requirements Principal	Interest	Total	Coverage
Wastewater System							
2008	$ 22,347,867	11,393,624	10,954,243	2,415,000	4,030,454	6,445,454	1.70
2007	21,158,743	11,462,964	9,695,779	2,005,000	3,081,481	5,086,481	1.91
2006	19,827,194	11,125,819	8,701,375	2,065,000	3,043,500	5,108,500	1.70
2005	18,248,683	10,482,955	7,765,728	1,500,000	2,403,519	3,903,519	1.99
2004	18,092,619	10,042,919	8,049,700	1,750,000	2,133,704	3,883,704	2.07
2003	15,607,743	9,086,469	6,521,274	1,032,500	266,722	1,299,222	5.02
2002	15,731,749	8,632,287	7,099,462	992,500	316,847	1,309,347	5.42
2001	16,663,975	8,087,688	8,576,287	952,500	364,972	1,317,472	6.51
2000	16,741,692	7,707,242	9,034,450	912,500	411,097	1,323,597	6.83
1999	16,286,632	7,591,990	8,694,642	1,255,000	500,504	1,755,504	4.95
Water System							
2008	$ 27,257,184	14,425,521	12,831,663	5,555,000	3,376,201	8,931,201	1.44
2007	29,386,495	14,351,136	15,035,359	5,340,000	3,612,001	8,952,001	1.68
2006	29,014,999	13,808,214	15,206,785	5,130,000	3,834,301	8,964,301	1.70
2005	27,153,937	13,145,665	14,008,272	4,895,000	3,517,932	8,412,932	1.67
2004	24,557,918	12,477,486	12,080,432	3,115,000	2,411,632	5,526,632	2.19
2003	22,094,721	11,631,496	10,463,225	3,010,000	2,898,489	5,908,489	1.77
2002	22,894,652	11,474,433	11,420,219	2,880,000	2,110,590	4,990,590	2.29
2001	22,489,456	10,960,315	11,529,141	2,755,000	2,240,075	4,995,075	2.31
2000	24,018,217	9,812,147	14,206,070	2,640,000	2,361,515	5,001,515	2.84
1999	20,785,253	9,067,262	11,717,991	2,530,000	2,477,895	5,007,895	2.34
Golf							
	Facility and Course Fees						
2008	$ 2,933,843	2,402,983	530,860	325,000	54,035	379,035	1.40
2007	2,926,985	2,463,827	463,158	315,000	65,060	380,060	1.22
2006	2,993,961	2,467,141	526,820	305,000	74,973	379,973	1.39
2005	3,135,875	2,568,462	567,413	295,000	83,823	378,823	1.50
2004	2,899,670	2,467,141	432,529	290,000	91,653	381,653	1.13
2003	2,648,552	2,408,947	239,605	280,000	98,513	378,513	0.63
2002	2,673,078	2,141,707	531,371	305,000	75,628	380,628	1.40
2001	2,626,592	2,140,853	485,739	230,000	239,088	469,088	1.04
2000	2,934,568	1,952,906	981,662	215,000	252,310	467,310	2.10
1999	2,527,564	1,656,746	870,818	200,000	264,310	464,310	1.88
Parking Facilities [1,2]							
2008	$ 7,134,709	2,912,511	4,222,198	1,305,000	687,194	1,992,194	2.12
2007	6,645,013	2,781,952	3,863,061	1,240,000	746,374	1,986,374	1.94
2006	6,785,593	2,775,122	4,010,471	1,185,000	799,931	1,984,931	2.02
2005	6,219,935	2,972,709	3,247,226	1,140,000	850,501	1,990,501	1.63
2004	6,299,598	2,733,492	3,566,106	1,145,000	908,456	2,053,456	1.74
2003	5,988,240	2,304,632	3,683,608	1,085,000	962,829	2,047,829	1.80
2002	5,483,546	1,964,389	3,519,157	1,115,000	924,470	2,039,470	1.73
2001	5,172,264	2,127,350	3,044,914	795,000	787,419	1,582,419	1.92
2000	4,853,708	1,393,637	3,460,071	455,000	761,521	1,216,521	2.84
1999	4,209,988	2,329,165	1,880,823	585,000	640,712	1,225,712	1.53
Solid Waste Management							
2008	$ 8,537,520	5,701,312	2,836,208	190,000	155,825	345,825	8.20
2007	8,020,390	5,079,147	2,941,243	185,000	155,971	340,971	8.63

1 Includes parking meter revenues that were deposited to the General Fund but are pledged per bond ordinance.
2 Information in this table does not agree with information in the transmittal letter of the City's CAFR because that information is calculated in accordance with specific requirements of the bond covenants.

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

	F.Y. 2008	F.Y. 2007	F.Y. 2006	F.Y. 2005	F.Y. 2004	F.Y. 2003	F.Y. 2002	F.Y. 2001	F.Y. 2000	F.Y. 1999
Cash & Investment Balance - September 1 of Year Indicated	14,632,274	13,475,643	18,948,253	23,521,130	26,784,845	26,589,993	24,802,768	26,814,745	25,069,133	22,742,585
Receipts:										
Property Tax	32,181,660	31,454,763	28,366,526	26,727,618	24,546,532	22,780,085	23,353,414	20,284,364	19,487,198	20,741,154
City Sales & Use Tax	55,733,297	53,960,485	54,270,346	53,781,209	51,869,477	48,657,268	45,393,492	44,486,127	43,608,313	41,642,771
Other Income	26,270,119	27,663,641	25,390,112	25,620,145	23,615,320	24,933,838	26,342,414	21,786,016	21,339,093	19,991,222
Total Receipts	114,185,076	113,078,889	108,026,984	106,128,972	100,031,329	96,371,191	95,089,320	86,556,507	84,434,604	82,375,147
Less Disbursements	113,078,869	111,922,258	113,499,594	110,701,849	103,295,044	96,176,339	93,302,095	88,568,484	82,688,992	80,048,599
Cash & Investment Balance - August 31 of Year Indicated	15,738,481	14,632,274	13,475,643	18,948,253	23,521,130	26,784,845	26,589,993	24,802,768	26,814,745	25,069,133

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

	F.Y. 2008	F.Y. 2007	F.Y. 2006	F.Y. 2005	F.Y. 2004	F.Y. 2003	F.Y. 2002	F.Y. 2001	F.Y. 2000	F.Y. 1999
Cash Balance - September 1 of Year Indicated	4,057,088	2,761,491	3,364,608	3,570,557	2,935,997	3,440,537	3,099,198	3,313,405	3,536,402	3,682,098
Receipts:										
Property Tax	5,709,454	5,460,690	2,973,410	5,607,615	5,387,468	5,883,592	6,340,938	5,814,489	5,843,384	4,475,066
Interest Income	153,977	84,935	86,812	83,286	48,595	32,298	53,873	107,693	174,146	145,534
Bond Proceeds				6,597,635		9,436,083				189,482
Other Income	1,003,173	1,927,112	2,935,603	149,038	691,340	240,110	232,009	235,736	247,591	54,475
Total Receipts	6,866,604	7,472,737	5,995,825	12,437,574	6,127,403	15,592,083	6,626,820	6,157,918	6,265,121	4,864,557
Disbursements:										
Bonds Paid	4,260,000	3,950,000	4,250,000	3,850,000	3,215,000	4,177,765	4,137,254	4,052,948	3,973,769	2,725,042
Bonds Defeased						9,609,774				
Interest Paid	2,456,373	2,217,610	2,342,582	2,197,207	2,271,548	2,309,084	2,144,322	2,308,922	2,500,471	1,955,821
Transfer to Trustee				6,504,876						164,400
Other Disbursements	5,430	9,530	6,360	91,440	6,295		3,905	10,255	13,878	164,990
Total Disbursements	6,721,803	6,177,140	6,598,942	12,643,523	5,492,843	16,096,623	6,285,481	6,372,125	6,488,118	5,010,253
Equity Transfer										
Cash Balance - August 31 of Year Indicated	4,201,889	4,057,088	2,761,491	3,364,608	3,570,557	2,935,997	3,440,537	3,099,198	3,313,405	3,536,402

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

	F.Y. 2008	F.Y. 2007	F.Y. 2006	F.Y. 2005	F.Y. 2004	F.Y. 2003	F.Y. 2002	F.Y. 2001	F.Y. 2000	F.Y. 1999
Cash & Investment Balance - September 1 of Year Indicated	9,991,053	8,846,000	7,583,251	7,830,502	6,910,967	6,586,633	3,778,207	4,964,458	5,003,362	5,357,118
Receipts:										
Special Assessment Collections	1,235,621	1,257,112	1,476,284	1,208,686	1,654,695	1,271,575	1,360,347	1,529,352	1,638,233	1,992,503
Interest on Special Assessments	179,258	188,349	189,927	204,108	267,298	346,725	294,839	257,157	310,558	367,309
City's Share of Costs		187,957	723,038	578,992	116,009	97,107	2,145,574	2,516,175	895,961	2,038,202
Developers' Share of Costs							4,617	473,445		75,572
Bond Proceeds										
Interest on Investments	453,282	340,274	254,809	217,996	140,289	130,555	137,143	219,536	286,460	241,768
Miscellaneous	33,964	49,403	74,657	30,687	288,482	195,535	474,438	144,005	993,245	244,724
Total Receipts	1,902,125	2,023,095	2,718,715	2,240,469	2,466,773	2,041,497	4,416,958	5,139,670	4,124,457	4,960,078
Disbursements:										
Construction Costs	742,698	766,768	1,066,513	1,796,239	1,399,323	1,560,456	1,090,434	3,646,025	2,338,999	2,333,433
Bonds Paid		55,000		100,000	105,000	105,000	110,000	270,000	770,000	785,000
SID Warrants										
Interest Paid on Bonds & Notes		37,581		3,425	10,420	17,534	24,762	39,438	67,293	110,155
Other Refunds & Expenses	2,334	18,693	389,453	588,056	32,495	34,173	383,336	2,370,458	987,069	2,085,246
Total Disbursements	745,032	878,042	1,455,966	2,487,720	1,547,238	1,717,163	1,608,532	6,325,921	4,163,361	5,313,834
Cash & Investment Balance - August 31 of Year Indicated	11,148,146	9,991,053	8,846,000	7,583,251	7,830,502	6,910,967	6,586,633	3,778,207	4,964,458	5,003,362

APPENDIX B

FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR ENDED AUGUST 31, 2008, TOGETHER WITH AUDITORS' REPORT THEREON

INTRODUCTORY SECTION

OFFICIALS OF THE CITY OF LINCOLN

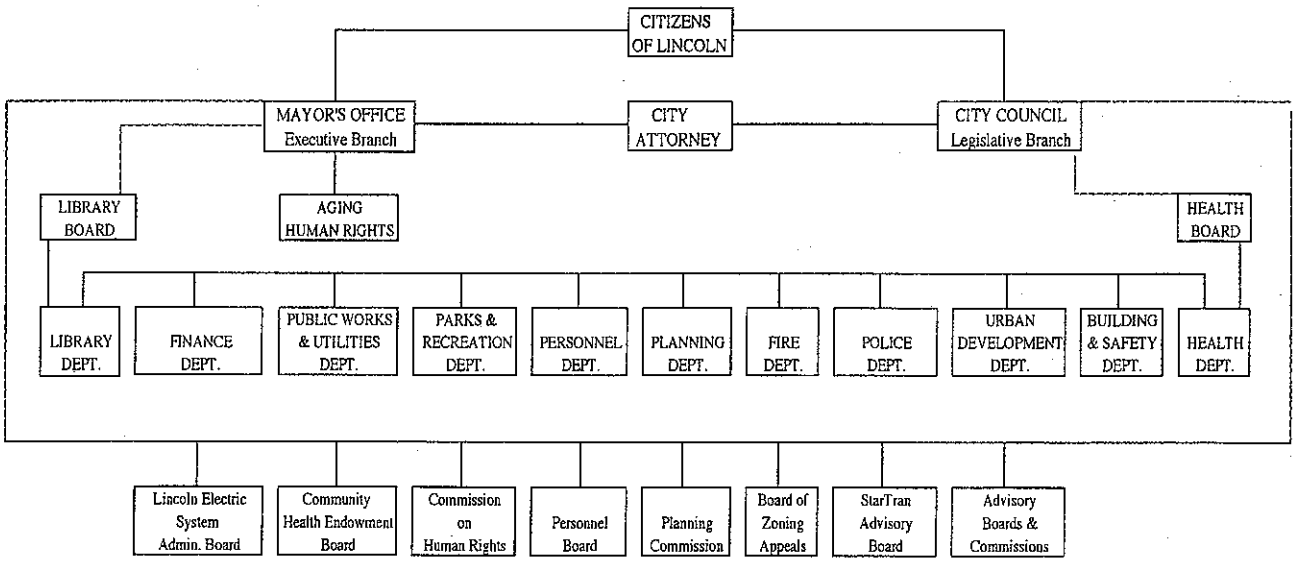
Chris Beutler ..... Mayor
Robin Eschliman ..... Chair, City Council
Doug Emery ..... Vice Chair, City Council
Jon Camp ..... Council Member
Jonathan Cook ..... Council Member
Dan Marvin ..... Council Member
John Spatz ..... Council Member
Ken Svoboda ..... Council Member

* * * * * *

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

* * * * * *

CITY OF LINCOLN ORGANIZATION CHART



CITY OF LINCOLN, NEBRASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2008
TABLE OF CONTENTS

INTRODUCTORY SECTION

	Page
Title Page	
Officials of The City of Lincoln	i
City of Lincoln Organization Chart	i
Table of Contents	ii
Letter of Transmittal from the Mayor	vi
Letter of Transmittal from the Finance Director	vii
Certificate of Achievement for Excellence in Financial Reporting	xvi

FINANCIAL SECTION

Independent Accountants' Report on Financial Statements and Supplementary Information		2
Management's Discussion and Analysis		5
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Assets		16
Statement of Activities		17
Fund Financial Statements:		
Balance Sheet – Governmental Funds		18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds		19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities		20
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budget Basis) – General Fund		21
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budget Basis) – Street Construction Fund		23
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budget Basis) – Federal Grants Fund		24
Statement of Net Assets – Proprietary Funds		26
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds		27
Statement of Cash Flows – Proprietary Funds		28
Statement of Fiduciary Net Assets – Fiduciary Funds		29
Statement of Changes in Fiduciary Net Assets – Fiduciary Fund		30
Notes to the Financial Statements:	Note	
Summary of Significant Accounting Policies	1	32
Reconciliation of Government-wide and Fund Financial Statements	2	39
Restricted Assets	3	41
Deposits and Investments	4	41
Receivables	5	46
Due From Other Governments	6	46
Capital Assets	7	47
Interfund Balances and Activity	8	50
Long-Term Debt	9	51
Reconciliation of Budget Basis to GAAP	10	55
Deficit Net Assets	11	56
Excesses of Expenditures Over Appropriations	12	56
Employees' Retirement Plans	13	56
Other Postemployment Benefits (OPEB)	14	59
Property Taxes	15	60
Risk Management	16	61

	Note	Page
Commitments and Contingencies	17	62
Landfill Closure and Postclosure Care Costs	18	64
Fair Value of Financial Instruments	19	65
Segment Information	20	65
Pledged Revenues	21	66
Public Building Commission	22	67
Joint Antelope Valley Authority	23	68
Jointly Governed Organizations	24	69
Required Supplementary Information:		
Schedule of Funding Progress for PFDP Pension		70
Schedule of Employer Contributions for PFDP Pension		70
Schedule of Funding Progress for OPEB		70

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

CITY OF LINCOLN
NEBRASKA

Mayor's Committee for
International Friendship
555 South 10th Street
Suite 208
Lincoln, Nebraska 68508
402-441-7511
fax: 402-441-7120

February 11, 2009

Dear Citizens and Public Officials:

It is my pleasure to submit the City of Lincoln's Comprehensive Annual Financial Report for the fiscal year ended August 31, 2008.

This report is an essential part of our efforts to provide accurate financial reporting to ensure both fiscal and operational accountability in our use of public resources. It provides a complete picture of the City's financial status and is an excellent means of meeting our continuing disclosure responsibilities in accordance with governmental reporting standards.

Our ability to manage the City's fiscal affairs and provide a full disclosure of the City's fiscal condition is exhibited by the unqualified audit opinion that follows. I am proud to report that the 2007 report submitted to the Government Finance Officers Association was recognized with the prestigious Certificate of Achievement for Excellence in Financial Reporting for the twenty-fifth consecutive year. This recognition is a credit to the City and a compliment to our dedicated Finance Department.

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

Sincerely,

Chris Beutler
Mayor of Lincoln

LINCOLN
The Community of Opportunity

CITY OF LINCOLN
NEBRASKA

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

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

MAYOR CHRIS BEUTLER

lincoln.ne.gov

LINCOLN
The Community of Opportunity

February 11, 2009

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

Both the City Charter and State law require an annual audit of the City's funds and accounts be made by a recognized independent and qualified accountant covering all financial transactions, affairs, and financial condition of the City, with the audit report published within six months after the close of the fiscal year. Pursuant to this requirement, the Comprehensive Annual Financial Report (CAFR) of the City of Lincoln, Nebraska for the fiscal year ended August 31, 2008, is hereby submitted.

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

As a recipient of federal, state and local financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. The federal government, under the revised OMB Circular A-133, requires local governments that expend $500,000 or more in federal funds in any fiscal year to have a financial and compliance audit performed. As part of the City's Single Audit, tests were made of the City's internal control structure over compliance and its compliance with applicable laws and regulations, including those related to major federal financial assistance programs. The Single Audit for the year ended August 31, 2008, disclosed no material internal control weaknesses. The independent accountants' reports are included in the Single Audit section found at the end of the CAFR.

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

A firm of licensed certified public accountants has audited the City's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City are free of material misstatement. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent accountants concluded, based upon the audit, that there was a reasonable basis for rendering unqualified opinions that the City's financial statements for the fiscal year ended August 31, 2008, are fairly presented in conformity with GAAP.

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

Profile of the City

The City of Lincoln, capital city of Nebraska, was originally incorporated on April 7, 1869. Lincoln is located in the southeastern corner of the state, is midway between Chicago and Denver, and is currently one of the fastest growing metro areas in the Midwest. It occupies a land area of approximately 80 square miles, serves a population of over 248,000, and in its growth and development has annexed five other municipalities so that the City includes most of the urban area of Lancaster County. It enjoys a unique position in Nebraska as the center of the state's governmental and educational activities.

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

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

The City Council exercises budgetary and/or rate setting authority over the City Library and Lincoln Electric System (LES), neither of which are legally separate from the City and are thus included as part of the primary government. The Lincoln Water System, Lincoln Wastewater System, Emergency Medical Services, 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, Solid Waste Management, Parking Facilities, and the Community Health Permanent Endowment Trust.

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

Economic Condition And Outlook

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

The Lincoln metropolitan area population base (Lancaster County) continues to demonstrate a pattern of sustained growth. According to the U. S. Census figures, the Lincoln metropolitan area population grew 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% 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, 2008 was 3.0%, well below the national average of 6.1%, with employment strongest in the categories of government, educational & health services, and retail trade. Lincoln's current number of construction permits is down 37% when compared to levels 5 years ago, with a corresponding decrease in the value of construction permits of over $128 million.

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

Net sales and use tax revenue increased $988,435 or 1.8% from the previous fiscal year. This primary revenue source has been impacted by negative economic factors that have affected the local and national economies.

Long-Term Planning And Major Initiatives

Urban Development

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

Financing will be provided by a variety of sources, including Tax Increment Financing (TIF), CDBG, HOME and Economic Development Initiative grants, Advanced Land Acquisition funds, Special Assessments, and General Fund. Funding is often combined with developer, grant or other private sector funds.

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

Ongoing and anticipated projects include:

- Downtown Redevelopment Projects:
  1) Catalyst One site.
  2) Former Douglas III/Civic Plaza site.
  3) West Haymarket Arena/Hotel project.
  4) Bank of the West/Lincoln Flats building.
  5) North Haymarket Arts and Humanities Block.
  6) Block 85.
- North 27th Street redevelopment will consist of the pedestrian trail bridge at X Street, mini parks under the bridge, acquisition of blighted structures, Little Saigon (26th & W), and Matt Talbot Kitchen and Outreach.
- Antelope Valley Redevelopment Projects:
  1) AV Plaza Parkway Triangle, phase 1 – Assurity project site.
  2) AV 19th & K - WJS project site.
- Implementation of selected Antelope Valley Redevelopment Plan catalyst projects.

- Havelock Redevelopment on-going projects include streetscape improvements, park improvements and public parking lot improvements.
- University Place redevelopment of the former Green's Plumbing site.
- West O Street redevelopment projects.
- North 56th and Arbor Road redevelopment.
- NW Corridor redevelopment (West Cornhusker Highway).
- Indian Village redevelopment.
- 70th and Fletcher redevelopment.
- South Capital redevelopment.
- Focus area projects such as sidewalk improvements in Hartley and installation of decorative lights and street trees on 4th Street, A to J.
- Housing rehabilitation programs for quality, affordable housing and home ownership:
  1) Continuation of First-time Homebuyer, Housing Development, and Owner-Occupied Housing Rehabilitation Loan programs.
  2) Partner with NeighborWorks-Lincoln for their Home Ownership Zone in Antelope Valley.
  3) Partner with other non-profit and for-profit housing organizations for affordable housing projects in low-to-moderate income neighborhoods under the Mayor's Stronger Safer Neighborhoods Program.
  4) Manage the local affordable housing effort made possible by Federal Economic Stimulus Programs.
  5) Assist non-profit housing organizations to create and sustain housing units for special need clients.
- Real Estate Division major acquisition and negotiation projects.

  1) For effective transportation:
     - ✓ Antelope Valley transportation and relocation projects.
     - ✓ Antelope Valley redevelopment plan catalyst projects.
     - ✓ West Haymarket area redevelopment.
     - ✓ Mopac Trail bridge.
     - ✓ Pine Lake Road, 84th to 98th Street.
     - ✓ 98th Street, Yankee Hill to Old Cheney.
     - ✓ Alvo Road, NW 20th to 1st Street.
     - ✓ NW 56th, Adams to Partridge.
     - ✓ West Adams, NW 63rd to 48th Street.
     - ✓ East Adams widening, 75th to 94th Street.
     - ✓ Yankee Hill Roadway, 70th to 84th Street
     - ✓ SW 40th Street overpass.
     - ✓ 14th Street, Superior to Alvo Road.
     - ✓ 56th Street, Old Cheney to Pine Lake Road.
     - ✓ Old Cheney Road, 70th to 84th Street.
     - ✓ Arterial rehab, executive order, traffic signal, and Federal Infrastructure Stimulus funded projects.

  2) For environmental quality:
     - ✓ Park sites city-wide.
     - ✓ Antelope Valley storm water projects.
     - ✓ Arbor Road water main, 56th to 70th.
     - ✓ Stevens Creek sanitary sewer.
     - ✓ Lincoln Water System Greenwood transmission main.
     - ✓ East Adams water main, 75th to 94th Street.
     - ✓ Yankee Hill water main, 56th to 84th Street.
     - ✓ 98th Street water main, Holdrege to Alvo.
     - ✓ 84th Street sanitary sewer, Fletcher to Havelock.
     - ✓ Additional projects made possible by Federal Infrastructure Stimulus funds.

- The Workforce Investment Act (WIA) is federal legislation which took effect on July 1, 2000. Under this legislation, the Mayor of Lincoln is the designated Chief Elected Official working in conjunction with a forty-seven member Workforce Investment Board. This Board is constituted by law with a business majority. Other members represent community-based organizations, education, economic development, organized labor, and program partner agencies. The Board and the Mayor developed a local Plan to implement WIA that was approved by the State of Nebraska. This Plan serves as the funding document for receipt of Federal WIA funds, which totaled approximately $1 million in 2008.

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

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

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

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

West Haymarket Project

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

Antelope Valley Project

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

The stormwater and transportation portions of the project are scheduled for substantial completion in 2011. Redevelopment projects have begun and will progress as flood control work is completed. The channel work needed for re-mapping of the floodplain will be done in 2009.

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

Work on the East Leg Bridge and Roadway project, which is a BNSF railroad overpass on the east-west roadway along the south side of State Fair Park, continued throughout 2008. The J Street bridge project near Capital Parkway started construction in 2008 and the Corps of Engineers began channel work between R Street to south of N Street.

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

Wastewater System

The Lincoln Wastewater System is projecting a capital improvements program in the amount of approximately $102,714,000 over the 6-year period of fiscal year 2008-09 through fiscal year 2013-14. Of that total, approximately $76,261,000 will be financed by revenue bonds, approximately $3,540,000 will be financed by impact fees, $3,040,000 from TIF funding, approximately $837,000 will come from developer contributions, with the remaining $19,036,000 to come from utility revenue fees. The majority of these dollars are needed for replacement and maintenance of existing infrastructure, new infrastructure to serve development in various basins throughout the City, and improvements to both the Theresa Street and Northeast treatment plants.

Water System

The Lincoln Water System is projecting a capital improvements program in the amount of approximately $109,125,000 over the 6-year period of fiscal year 2008-09 through 2013-14. Of these dollars, approximately $70,030,000 will be financed through revenue bonds, approximately $3,810,000 will be financed from TIF funding, approximately $7,250,000 will be financed through impact fees, with the balance of $28,035,000 coming from utility revenue fees. The major projects contributing to these total dollars include the installation of transmission lines, replacement mains, replacement and new wells, and additional storage reservoirs.

Streets And Highways

The 2009-2014 Streets and Highways capital improvements program and Transportation improvement program identify average annual expenditures of over $28.6 million for the next six years. Funding for these projects includes $117 million in City revenues, $29 million in federal aid, and $26 million in other funds.

Infrastructure Impact Fees

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

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

Property Tax Collections

As of August 31, 2008, current tax collections by the County Treasurer were 96.66% of the tax levy, an increase of .40% from last year. Allocations of property tax levy by purpose are as follows:

City Tax Levy By Purpose	2007-2008	2006-2007	2005-2006
General Fund	.1778	.1687	.1955
Library	.0404	.0427	.0488
Social Security	.0134	.0135	.0139
Police and Fire Pension	.0203	.0208	.0219
General Obligation Debt	.0360	.0376	.0208
	.2879	.2833	.3009

Parking Facilities

The City of Lincoln operates the following parking garages:

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

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

Revenue generated by the parking facilities and on-street parking meters, as well as unappropriated street construction funds, are pledged for debt service of 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:

	2007-2008	2006-2007
Operating Revenues	$ 6,642,460	6,264,527
Operating Income Before Depreciation	3,729,949	3,482,575
Debt Service	1,998,056	1,998,056
Debt Service Coverage Ratio	1.87	1.74

Solid Waste Management

The City of Lincoln owns and operates a municipal solid waste landfill and a construction and demolition debris landfill that are subject to the U.S. Environmental Protection Agency rule *Solid Waste Disposal Facility Criteria,* which establishes closure and postclosure care requirements. As of August 31, 2008, the City estimates that it will incur costs approximating $16 million to adhere to such requirements (see Note 18 of Notes to the Financial Statements).

Water And Wastewater System

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

Wastewater System	2007-2008	2006-2007
Operating Revenues	$20,621,911	19,402,047
Operating Income	2,443,304	1,846,825
Revenue Available For Debt Service	10,954,243	9,695,779
Debt Service	6,445,454	5,086,481
Debt Service Coverage Ratio	1.70	1.91

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	2007-2008	2006-2007
Operating Revenues	$24,049,039	25,249,632
Operating Income	2,696,281	4,174,059
Revenue Available For Debt Service	12,831,663	15,035,359
Debt Service	8,931,201	8,952,001
Debt Service Coverage Ratio	1.44	1.68

Lincoln Electric System (LES)

The City owns and operates its own electric utility system that is managed by an administrative board. Actions of the board with regard to rates, budgets, and long-term financing are subject to final review and approval by the City Council. In accordance with Section 4.24.090 of the Lincoln Municipal Code, LES operates on a January 1 - December 31, fiscal year. Audited financial information as of and for LES' fiscal year ended December 31, 2007, is included in the City's August 31, 2008, financial statements.

Certificate Of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lincoln, Nebraska, for its comprehensive annual financial report for the fiscal year ended August 31, 2007. This was the twenty-fifth 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

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

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, 2007

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

President

Executive Director

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

FINANCIAL SECTION

BKD LLP
CPAs & Advisors

Tier One Center
1221 N Street, Suite 600
Lincoln, NE 68508-2042
402.473.7600 Fax 402.473.7698 www.bkd.com

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 City of Lincoln, Nebraska as of and for the year ended August 31, 2008, which collectively comprise City of Lincoln's basic financial statements. These financial statements are the responsibility of 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 58%, 30%, and 75%, 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, 2007, and in our report dated February 1, 2008, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

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

In our opinion, based on our audit and the report of 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, Nebraska as of August 31, 2008, 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.

As discussed in Note 1, in 2008 the City adopted Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pension (OPEB)* and *GASB Statement No. 50, Pension Disclosures – An Amendment of GASB Statements No. 25 and No. 27.*

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

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

BKD, LLP

February 11, 2009

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the City of Lincoln, Nebraska (the City) offers readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended August 31, 2008. Please consider this discussion in conjunction with the additional information provided in the Letter of Transmittal (beginning on page vii) and the transactions, events and conditions reflected in the City's financial statements (beginning on page 16).

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at August 31, 2008, by $1,449,207,678 (net assets). Of this amount, $142,215,230 (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 $76,333,964. Of this amount, $54,317,924, or 71 percent, was an increase in governmental activities and $22,016,040, or 29 percent, related to business-type activities.

- As of August 31, 2008, the City's governmental funds reported combined ending fund balances of $194,822,781, a decrease of $(20,105,417) in comparison with the prior year. Of this total fund balance, 60 percent, or $117,161,779, is available for spending at the City's discretion (unreserved fund balance).

- As of August 31, 2008, unreserved fund balance for the general fund was $28,453,611, or 29 percent of total general fund expenditures.

- The City's total bonded debt increased by $66,183,000 (8 percent) during the current fiscal year. The key factor in this increase was the issuance of $265,080,000 in revenue bonds by Lincoln Electric System for both capital improvements and to advance refund the 1998 and 2001 LES bonds.

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, 2008. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $1,449,207,678 at August 31, 2008.

By far the largest portion of the City's net assets (71 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, 2008 and 2007

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and Other Assets	$ 379,081,647	351,803,367	258,810,179	235,962,147	637,891,826	587,765,514
Capital Assets	598,864,306	565,061,393	1,379,907,263	1,295,983,463	1,978,771,569	1,861,044,856
Total Assets	977,945,953	916,864,760	1,638,717,442	1,531,945,610	2,616,663,395	2,448,810,370
Long-Term Liabilities Outstanding	196,689,161	189,389,458	805,068,287	722,248,396	1,001,757,448	911,637,854
Other Liabilities	20,328,462	20,864,896	145,369,807	143,433,906	165,698,269	164,298,802
Total Liabilities	217,017,623	210,254,354	950,438,094	865,682,302	1,167,455,717	1,075,936,656
Net Assets:						
Invested in Capital Assets, Net of Related Debt	460,113,747	433,488,477	573,820,854	568,947,439	1,033,934,601	1,002,435,916
Restricted	239,293,430	215,364,261	33,764,417	26,769,558	273,057,847	242,133,819
Unrestricted	61,521,153	57,757,668	80,694,077	70,546,311	142,215,230	128,303,979
Total Net Assets	$ 760,928,330	706,610,406	688,279,348	666,263,308	1,449,207,678	1,372,873,714

An additional portion of the City's net assets (19 percent) represents resources that are subject to external restrictions on their use. The remaining balance of unrestricted net assets (10 percent) may be used to meet the government's ongoing obligations to citizens and creditors.

At August 31, 2008, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

City Of Lincoln
Condensed Statements of Activities
For the Years Ended August 31, 2008 and 2007

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program Revenues:						
Charges for Services	$ 44,757,932	44,445,675	291,083,622	269,038,960	335,841,554	313,484,635
Operating Grants and Contributions	52,058,209	56,089,320	26,000	141,346	52,084,209	56,230,666
Capital Grants and Contributions	39,507,199	17,990,651	10,809,320	11,359,957	50,316,519	29,350,608
General Revenues:						
Property Tax	48,016,158	45,981,349	-	-	48,016,158	45,981,349
Sales and Use Tax	55,351,848	54,363,413	-	-	55,351,848	54,363,413
Other Taxes	24,845,802	23,929,698	2,134,549	2,195,132	26,980,351	26,124,830
Unrestricted Grants and Contributions	1,569,021	1,573,535	-	-	1,569,021	1,573,535
Unrestricted Investment Earnings	6,738,206	6,355,562	8,761,713	9,333,779	15,499,919	15,689,341
Other	1,416,980	1,456,139	135,278	288,597	1,552,258	1,744,736
Total Revenues	274,261,355	252,185,342	312,950,482	292,357,771	587,211,837	544,543,113
Expenses:						
General Government	32,965,472	30,681,069	-	-	32,965,472	30,681,069
Public Safety	72,717,163	71,999,597	-	-	72,717,163	71,999,597
Streets and Highways	29,136,302	31,953,438	-	-	29,136,302	31,953,438
Culture and Recreation	28,026,538	26,528,155	-	-	28,026,538	26,528,155
Economic Opportunity	16,586,566	15,486,850	-	-	16,586,566	15,486,850
Health and Welfare	20,682,498	20,335,733	-	-	20,682,498	20,335,733
Mass Transit	11,306,572	10,891,704	-	-	11,306,572	10,891,704
Equipment Management	2,692,481	2,363,486	-	-	2,692,481	2,363,486
Engineering Services	2,031,184	3,148,005	-	-	2,031,184	3,148,005
Interest on Long-Term Debt	6,473,960	5,826,378	-	-	6,473,960	5,826,378
Parking	-	-	4,908,537	4,833,961	4,908,537	4,833,961
Golf Courses	-	-	3,152,455	3,167,880	3,152,455	3,167,880
Auditorium	-	-	2,041,953	2,274,043	2,041,953	2,274,043
Solid Waste Management	-	-	7,506,257	6,835,512	7,506,257	6,835,512
Ambulance Transport	-	-	3,711,546	3,679,318	3,711,546	3,679,318
Wastewater	-	-	18,965,453	18,230,853	18,965,453	18,230,853
Water	-	-	23,378,936	23,544,989	23,378,936	23,544,989
Electric	-	-	224,594,000	209,962,000	224,594,000	209,962,000
Total Expenses	222,618,736	219,214,415	288,259,137	272,528,556	510,877,873	491,742,971
Increase in Net Assets Before Transfers	51,642,619	32,970,927	24,691,345	19,829,215	76,333,964	52,800,142
Transfers	2,675,305	1,753,685	(2,675,305)	(1,753,685)	-	-
Increase in Net Assets	54,317,924	34,724,612	22,016,040	18,075,530	76,333,964	52,800,142
Net Assets - Beginning	706,610,406	671,885,794	666,263,308	648,187,778	1,372,873,714	1,320,073,572
Net Assets - Ending	$ 760,928,330	706,610,406	688,279,348	666,263,308	1,449,207,678	1,372,873,714

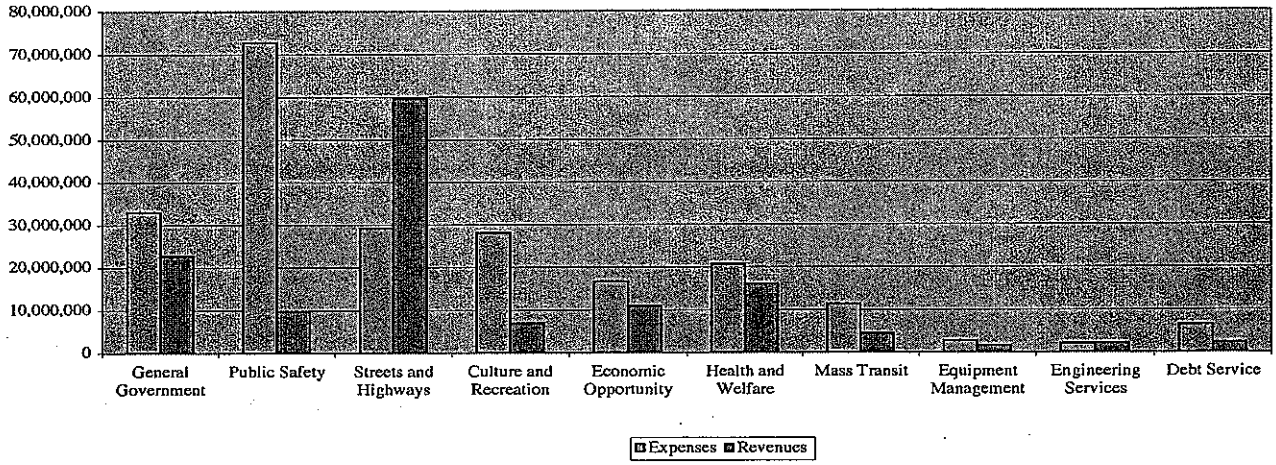
GOVERNMENTAL ACTIVITIES

Governmental activities increased the City's net assets by $54,317,924, accounting for 71 percent of the total growth in the net assets of the City of Lincoln. Key elements of this increase are as follows:

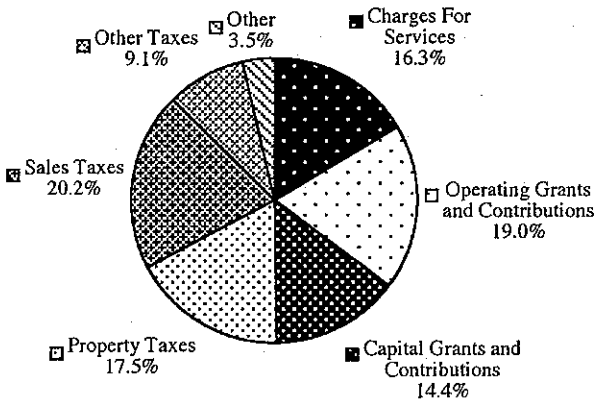
- The City's current year contribution to the Joint Antelope Valley Authority amounted to $32,093,025, of which a significant portion is federally funded.

- Property taxes increased by approximately $2 million (4.4 percent) during 2008. Total growth in the tax base, which includes revaluations, annexations and other adjustments, was 2.03 percent.

Expenses and Program Revenues - Governmental Activities



Revenues By Source - Governmental Activities



BUSINESS-TYPE ACTIVITIES

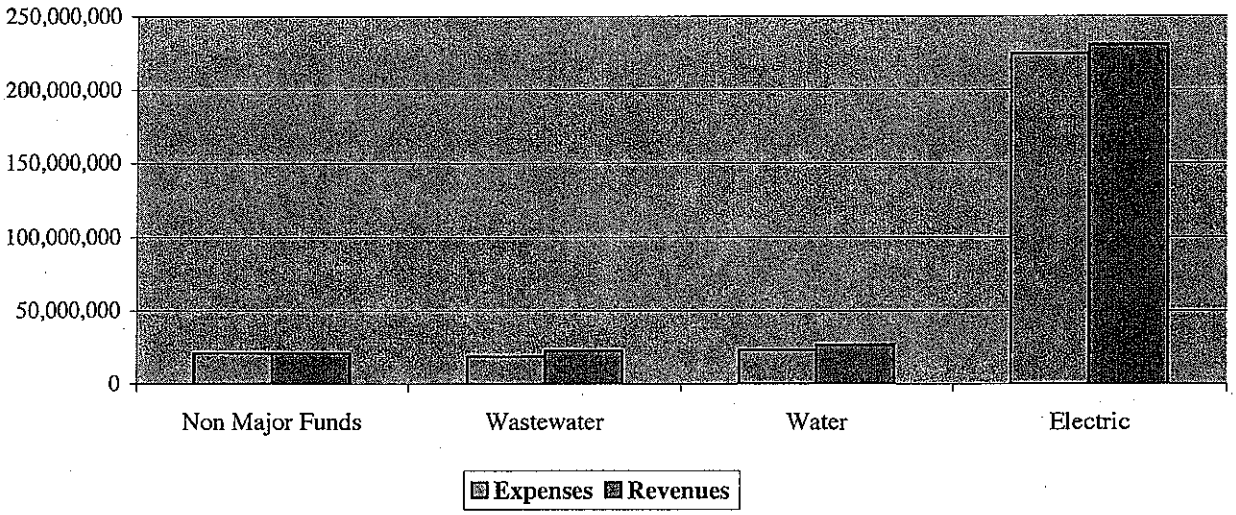
Business-type activities increased the City's net assets by $22,016,040, accounting for 29 percent of the total growth in the government's net assets. Key elements of this increase are as follows:

- Charges for services increased by approximately $22 million, or 8 percent. Wastewater revenues increased $1.2 million (6%), primarily due to an increase of 9 percent in user fees implemented in February 2008 and because of increased water usage during the sanitary sewer basis period this fiscal year. Sanitary sewer bills for residential customers are based on water usage during a two-month period during the winter and remain the same over the balance of the following ten-month period.

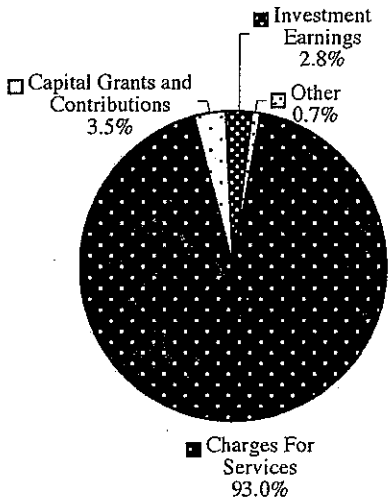
  Lincoln Electric System operating revenue in 2007 was 10% higher than 2006 due to the impact of the full year electric rate increase effective February 2007 which also included other revenue enhancements and the partial year effect of a 5-1/2% storm emergency surcharge effective March 1 through October 31, 2007.

- LES recorded capital contributions of $5.1 million.
- Lincoln Water and Wastewater Systems reported developer capital contributions of approximately $2.5 million and $3 million respectively.

Expenses And Program Revenues - Business-type Activities



Revenues By Source - Business-type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

GOVERNMENTAL FUNDS

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

As of August 31, 2008, the City's governmental funds reported combined ending fund balances of $194,822,781, a decrease of $(20,105,417) in comparison with the prior year. Of this total amount, 60 percent constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to:

- long-term loans receivable ($17,927,000),
- pay debt service ($15,473,707),
- 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 ($7,260,295).

The General Fund is the chief operating fund of the City. At August 31, 2008, the unreserved fund balance of the General Fund was $28,453,611, while total fund balance reached $32,478,780. 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 29 percent of total general fund expenditures, while total fund balance represents 33 percent of that same amount.

The fund balance of the City's General Fund increased by $2,066,076 during 2008. This increase was primarily due to debt proceeds to be used for street lighting left unspent at year end.

The Street Construction Fund had a total fund balance of $30,137,832, which is to be used in the construction and maintenance of street and highways. The net decrease in fund balance during 2008 in the Street Construction Fund was $(16,379,885), a result of increased project expenditures related to the prior year issue of construction bonds, construction of the Harris Overpass, and delays in expected federal funds reimbursement.

The Federal Grants Fund had a fund balance of $19,352,352, a net increase of $793,810. Expenditures in the fund increased by $930,830 (4 percent), while revenues increased by $829,372 (4 percent) and exceeded expenditures by $364,964.

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 $4,313,844, $13,850,885, $62,202,000 and $6,376,726, respectively, at August 31, 2008 (December 31, 2007 for LES). Factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget were relatively minor (increase of $102,180 in appropriations) and can be briefly summarized as follows:

- $(75,895) in miscellaneous changes in general government activities.
- $(302,598) in decreases allocated to public safety.
- $10,255 in increases allocated to street maintenance.
- $24,922 in increases allocated to parks and recreation.
- $445,496 in increases allocated for General Fund transfers to other City funds.

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

- $2,708,915 positive variance in real estate and personal property tax. Actual property collections were 96.66% of the 2007 levy, while estimated tax revenue is based on 90% collections as provided by the City Charter.
- $1,108,460 positive variance in miscellaneous revenues. This variance was the result of pension forfeitures recorded in the current year.
- $(1,792,796) negative variance in street lighting function expenditures. This variance was the result of additions related to both normal construction as well as Antelope Valley Project construction.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of August 31, 2008, amounts to $1,978,771,569 (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 2008 was 6 percent (a 6 percent increase for both governmental activities and business-type activities).

Major capital asset events during 2008 included the following:

- Harris Overpass replacement project - approximately $17,300,000.
- Continued major electric plant construction including generation (Walter Scott #4), transmission, substation and distribution system which totaled over $70 million in 2007.
- Wastewater System capital assets increased by approximately $13,145,000 (6 percent) due to major project additions such as:
  - ✓ Trunk sewer improvement mains – $13,096,000
- Water System capital assets increased by approximately $25,538,000 (10 percent) due to major project additions such as:
  - ✓ Water transmission pump station & mains - $20,307,000
  - ✓ Water distribution mains - $2,613,000
  - ✓ Selected main replacements - $2,600,000

City Of Lincoln
Capital Assets (net of depreciation)
August 31, 2008 and 2007

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	$ 62,978,764	61,128,379	21,004,520	18,573,146	83,983,284	79,701,525
Buildings	47,552,703	47,679,644	157,688,117	135,597,833	205,240,820	183,277,477
Improvements Other Than Buildings	38,298,396	37,031,339	375,660,608	350,505,718	413,959,004	387,537,057
Machinery and Equipment	33,551,718	35,313,580	10,810,069	9,817,519	44,361,787	45,131,099
Utility Plant	-	-	736,632,000	555,158,000	736,632,000	555,158,000
Infrastructure	316,365,857	294,265,264	-	-	316,365,857	294,265,264
Construction-in-progress	100,116,868	89,643,187	78,111,949	226,331,247	178,228,817	315,974,434
Total	$ 598,864,306	565,061,393	1,379,907,263	1,295,983,463	1,978,771,569	1,861,044,856

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

LONG-TERM DEBT

At August 31, 2008, the City of Lincoln had total bonded debt outstanding of $917,756,000. Of this amount, $128,581,000 comprises debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

City Of Lincoln
Outstanding Bonded Debt
August 31, 2008 and 2007
(dollar amounts in thousands)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
General Obligation Bonds	$ 128,581	133,413	-	-	128,581	133,413
Tax Supported Bonds	7,900	8,515	-	-	7,900	8,515
Revenue Bonds	-	-	781,275	709,645	781,275	709,645
Total	$ 136,481	141,928	781,275	709,645	917,756	851,573

The City's total bonded debt increased by $66,183,000 (8 percent) during 2008. The key factor in this increase was the issuance of $265,080,000 in revenue bonds by Lincoln Electric System for both capital improvements and to advance refund the 1998 and 2001 LES bonds.

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	-
Lincoln Electric System			
Revenue Bonds	Aa2	AA	AA
2005 Revenue Bonds			
FSA insured	-	AAA	AAA
Commercial Paper – tax exempt	-	A1+	F1+

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Property tax revenue required to fund the 2009 budget increased only $729,723 or 1.8 percent over the prior year. Total change in the tax base is also estimated at 1.8 percent, therefore the tax rate for 2009 remains the same as 2008.

- Sales tax collections for 2008 finished .62 percent ahead of projections. 2009 projections reflect a 2.84 percent increase over 2008 budgeted collections.

- Occupation tax is projected to increase $724,974 (7.8 percent) due to growth primarily from telecommunications and cable television sources.

- The City's self-insured health care plan allows for a 4.6% rate decrease resulting in nearly a $2 million savings in all funds for 2009.

- Fuel and utility charges are considerable and volatile cost items within all City operations and have continued to increase significantly.

- A 4 percent water rate increase and a 4 percent wastewater rate increase were adopted by the City Council and become effective February 2009.

- A hiring freeze and a retirement incentive package have been utilized to create vacant positions, eliminate positions, encourage reorganizations and make budget reductions while at the same time minimizing the number of layoffs. Employees selecting the retirement incentive could terminate employment anytime between September 1, 2008 and October 15, 2008. As a result, some positions that will eventually be eliminated are funded for a partial year in the 2009 budget.

All of these factors were considered in preparing the City's budget for the 2009 fiscal year.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF LINCOLN, NEBRASKA
STATEMENT OF NET ASSETS
AUGUST 31, 2008
With Summarized Financial Information as of August 31, 2007

	Governmental Activities	Business-Type Activities	Totals 2008	Totals 2007
ASSETS				
Cash and Cash Equivalents	$ 37,555,373	47,962,906	85,518,279	65,786,030
Investments	105,199,896	12,481,696	117,681,592	134,086,181
Invested Securities Lending Collateral	4,065,673	-	4,065,673	4,749,143
Receivables, (Net of Allowance for Uncollectibles)	28,924,138	35,248,881	64,173,019	64,479,523
Internal Balances	(2,104,156)	2,104,156	-	-
Due from Other Governments	36,402,080	73,925	36,476,005	25,683,808
Inventories	2,124,694	16,927,195	19,051,889	15,738,605
Plant Operation Assets	-	9,859,000	9,859,000	6,383,000
Prepaid Items	691,269	1,290,144	1,981,413	1,567,643
Deferred Charges and Other Assets	1,324,588	12,043,844	13,368,432	13,864,396
Restricted Assets:				
Cash and Cash Equivalents	-	71,617,056	71,617,056	32,404,264
Investments	37,160,000	48,778,680	85,938,680	126,630,620
Receivables	-	422,696	422,696	747,234
Investment in Joint Venture	127,738,092	-	127,738,092	95,645,067
Capital Assets:				
Non-depreciable	163,095,632	99,116,469	262,212,101	395,675,959
Depreciable (Net)	435,768,674	1,280,790,794	1,716,559,468	1,465,368,897
Total Assets	977,945,953	1,638,717,442	2,616,663,395	2,448,810,370
LIABILITIES				
Accounts Payable	8,063,185	24,623,787	32,686,972	31,138,820
Accrued Liabilities	3,957,685	11,691,561	15,649,246	15,173,769
Due to Other Governments	966,040	134,567	1,100,607	1,497,104
Unearned Revenue	1,562,300	894,669	2,456,969	3,059,850
Obligations under Securities Lending	4,065,673	-	4,065,673	4,749,143
Other Liabilities	-	6,953,000	6,953,000	6,844,000
Commercial Paper Notes Payable	-	90,000,000	90,000,000	90,000,000
Accrued Interest Payable	1,713,579	11,072,223	12,785,802	11,836,116
Noncurrent Liabilities:				
Payable within One Year	22,055,411	28,208,476	50,263,887	45,501,915
Payable in More Than One Year	174,633,750	776,859,811	951,493,561	866,135,939
Total Liabilities	217,017,623	950,438,094	1,167,455,717	1,075,936,656
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	460,113,747	573,820,854	1,033,934,601	1,002,435,916
Restricted for:				
Debt Service, Net of Related Debt	5,535,658	25,826,601	31,362,259	29,922,479
Capital Projects	163,098,081	1,800,619	164,898,700	140,171,098
Grantor Loan Programs	17,927,000	-	17,927,000	19,143,000
Other	736,114	6,137,197	6,873,311	747,600
Trust Donations:				
Expendable	1,798,661	-	1,798,661	1,910,741
Nonexpendable	160,000	-	160,000	160,000
Health Care:				
Expendable	13,037,916	-	13,037,916	13,078,901
Nonexpendable	37,000,000	-	37,000,000	37,000,000
Unrestricted	61,521,153	80,694,077	142,215,230	128,303,979
Total Net Assets	$ 760,928,330	688,279,348	1,449,207,678	1,372,873,714

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, 2008
With Summarized Financial Information for the Year Ended August 31, 2007

		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 2008	Totals 2007
Functions/Programs								
Governmental Activities:								
General Government	$ (32,965,472)	20,572,788	1,555,802	617,868	(10,219,014)	-	(10,219,014)	(9,332,415)
Public Safety	(72,717,163)	5,671,183	3,839,326	200,000	(63,006,654)	-	(63,006,654)	(63,035,432)
Streets and Highways	(29,136,302)	5,485,027	17,330,688	36,806,080	30,485,493	-	30,485,493	4,103,635
Culture and Recreation	(28,026,538)	3,583,144	2,011,428	1,321,414	(21,110,552)	-	(21,110,552)	(18,969,036)
Economic Opportunity	(16,586,566)	731,663	10,211,301	-	(5,643,602)	-	(5,643,602)	(5,229,132)
Health and Welfare	(20,682,498)	3,248,351	12,750,317	-	(4,683,830)	-	(4,683,830)	(1,133,966)
Mass Transit	(11,306,572)	1,532,233	2,839,347	-	(6,934,992)	-	(6,934,992)	(2,594,207)
Equipment Management	(2,692,481)	1,574,454	-	10,000	(1,108,027)	-	(1,108,027)	(1,098,676)
Engineering Services	(2,031,184)	2,134,368	-	15,210	118,394	-	118,394	(690,292)
Interest on Long-Term Debt	(6,473,960)	224,721	1,520,000	536,627	(4,192,612)	-	(4,192,612)	(2,709,248)
Total Governmental Activities	(222,618,736)	44,757,932	52,058,209	39,507,199	(86,295,396)	-	(86,295,396)	(100,688,769)
Business-Type Activities:								
Parking Lots	(213,043)	351,129	-	-	-	138,086	138,086	(1,192)
Golf	(3,152,455)	2,917,779	-	-	-	(234,676)	(234,676)	(264,021)
Parking Facilities	(4,695,494)	6,599,372	-	43,000	-	1,946,878	1,946,878	1,648,569
Municipal Auditorium	(2,041,953)	1,442,905	-	-	-	(599,048)	(599,048)	(653,236)
Solid Waste Management	(7,506,257)	5,808,190	-	64,048	-	(1,634,019)	(1,634,019)	(1,633,047)
Emergency Medical Services	(3,711,546)	4,039,667	-	-	-	328,121	328,121	84,863
Wastewater System	(18,965,453)	20,575,445	-	2,544,965	-	4,154,957	4,154,957	4,338,003
Water System	(23,378,936)	23,943,135	26,000	2,996,307	-	3,586,506	3,586,506	5,034,768
Electric System	(224,594,000)	225,406,000	-	5,161,000	-	5,973,000	5,973,000	(543,000)
Total Business-Type Activities	(288,259,137)	291,083,622	26,000	10,809,320	-	13,659,805	13,659,805	8,011,707
Total	$ (510,877,873)	335,841,554	52,084,209	50,316,519	(86,295,396)	13,659,805	(72,635,591)	(92,677,062)
	General Revenues:							
	Property Tax				48,016,158	-	48,016,158	45,981,349
	Motor Vehicle Tax				4,303,363	-	4,303,363	4,298,290
	Wheel Tax				10,458,568	-	10,458,568	10,059,772
	Sales and Use Tax				55,351,848	-	55,351,848	54,363,413
	Sundry and In Lieu Tax				45,761	-	45,761	37,235
	Occupation Tax				10,038,110	2,134,549	12,172,659	11,729,533
	Unrestricted Grants and Contributions				1,569,021	-	1,569,021	1,573,535
	Unrestricted Investment Earnings				6,738,206	8,761,713	15,499,919	15,689,341
	Miscellaneous General Revenues				820,587	135,278	955,865	1,083,739
	Gain on Sale of Capital Assets				596,393	-	596,393	660,997
	Transfers				2,675,305	(2,675,305)	-	-
	Total General Revenues and Transfers				140,613,320	8,356,235	148,969,555	145,477,204
	Change in Net Assets				54,317,924	22,016,040	76,333,964	52,800,142
	Net Assets - Beginning				706,610,406	666,263,308	1,372,873,714	1,320,073,572
	Net Assets - Ending				$ 760,928,330	688,279,348	1,449,207,678	1,372,873,714

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

CITY OF LINCOLN, NEBRASKA
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2008

	General Fund	Street Construction Fund	Federal Grants Fund	Other Governmental Funds	Total
ASSETS					
Cash and Cash Equivalents	$ 5,718,224	4,446,574	992,306	20,985,782	32,142,886
Investments	11,802,718	14,361,037	-	97,496,840	123,660,595
Invested Securities Lending Collateral	-	-	-	4,065,673	4,065,673
Receivables, (Net of Allowance for Uncollectibles)	4,651,641	387,028	17,935,703	5,425,547	28,399,919
Due from Other Funds	2,531,943	11,059,742	66,951	5,522,834	19,181,470
Due from Other Governments	9,706,046	22,362,515	2,257,415	1,845,219	36,171,195
Inventories	538,253	37,842	-	699,997	1,276,092
Prepaid Items	11,928,883	-	-	-	11,928,883
Total Assets	46,877,708	52,654,738	21,252,375	136,041,892	256,826,713
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	588,720	3,758,874	789,424	1,776,988	6,914,006
Contracts Payable	-	533,434	-	411,536	944,970
Accrued Liabilities	1,578,822	82,452	258,902	1,097,095	3,017,271
Due to Other Funds	10,959,861	16,249	9,043	11,704,202	22,689,355
Due to Other Governments	201,697	39	485,010	133,439	820,185
Unearned Revenue	-	-	-	1,229,845	1,229,845
Obligations under Securities Lending	-	-	-	4,065,673	4,065,673
Deferred Revenue	1,069,828	18,125,858	357,644	2,769,297	22,322,627
Total Liabilities	14,398,928	22,516,906	1,900,023	23,188,075	62,003,932
Fund Balances:					
Reserved for:					
Inventories	538,253	37,842	-	699,997	1,276,092
Prepaid Items	425,286	-	-	-	425,286
Improvements	2,325,516	-	-	2,337,287	4,662,803
Grantor Loan Programs	-	-	17,927,000	-	17,927,000
Restricted Funds	736,114	-	-	-	736,114
Debt Service	-	-	-	15,473,707	15,473,707
Trust Donations (non-expendable)	-	-	-	160,000	160,000
Health Care (non-expendable)	-	-	-	37,000,000	37,000,000
Unreserved, Reported in:					
General Fund:					
Designated for Debt Service	376,848	-	-	-	376,848
Designated for Subsequent Years Expenditures	3,599,918	-	-	-	3,599,918
Designated for Encumbrances	868,848	-	-	-	868,848
Undesignated	23,607,997	-	-	-	23,607,997
Special Revenue Funds:					
Designated for Subsequent Years Expenditures	-	21,884	-	1,672,667	1,694,551
Designated for Encumbrances	-	13,033,350	1,425,352	338,023	14,796,725
Undesignated	-	17,044,756	-	28,303,308	45,348,064
Capital Projects Funds:					
Designated for Encumbrances	-	-	-	1,713,335	1,713,335
Undesignated	-	-	-	11,625,758	11,625,758
Permanent Funds	-	-	-	13,529,735	13,529,735
Total Fund Balances	32,478,780	30,137,832	19,352,352	112,853,817	194,822,781
Total Liabilities and Fund Balances	$ 46,877,708	52,654,738	21,252,375	136,041,892	

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.	577,471,774
Investment in joint venture is not a financial resource and, therefore, not reported in the funds.	127,738,092
Other long-term assets are not available to pay for current-period expenditures and, therefore, deferred in the funds.	22,322,627
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.	27,966,970
Accrued pension contribution, special termination and other liabilities require the use of unavailable financial resources and, therefore, are not reported in the funds.	(6,101,433)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, not reported in the funds.	(183,292,481)
Net assets of governmental activities	$ 760,928,330

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, 2008

	General Fund	Street Construction Fund	Federal Grants Fund	Other Governmental Funds	Total
REVENUES					
Taxes:					
Property	$ 28,784,506	-	-	19,277,253	48,061,759
Motor Vehicle	4,303,363	-	-	-	4,303,363
Wheel	-	-	-	10,458,568	10,458,568
Sales and Use	55,351,848	-	-	-	55,351,848
Sundry and In Lieu	38,172	-	-	11,896	50,068
Occupation	10,517,680	-	-	-	10,517,680
Special Assessment	2,495	-	-	1,349,037	1,351,532
Intergovernmental	3,120,942	38,856,913	22,345,760	9,507,105	73,830,720
Permits and Fees	2,948,344	4,354,796	458,540	10,251,424	18,013,104
Reimbursement for Services	5,111,724	17,815	386,895	995,023	6,511,457
Program Income	-	-	48,549	-	48,549
Investment Earnings	904,065	1,292,974	29,588	4,579,631	6,806,258
Donations	848,377	-	229,515	670,067	1,747,959
Keno Proceeds	-	-	-	3,373,939	3,373,939
Miscellaneous	940,291	631,938	12,430	912,672	2,497,331
Total Revenues	112,871,807	45,154,436	23,511,277	61,386,615	242,924,135
EXPENDITURES					
Current:					
General Government	27,314,568	-	107,108	7,856,899	35,278,575
Public Safety	50,175,181	-	2,496,135	8,476,587	61,147,903
Streets and Highways	7,565,187	5,770,568	647	3,145,838	16,482,240
Culture and Recreation	11,631,675	-	1,770,454	8,284,435	21,686,564
Economic Opportunity	206,631	-	10,428,603	4,050,434	14,685,668
Health and Welfare	388,054	-	8,181,011	12,484,067	21,053,132
Mass Transit	-	-	162,355	10,545,246	10,707,601
Debt Service	50,802	-	-	14,376,993	14,427,795
Capital Outlay	-	65,740,295	-	13,629,494	79,369,789
Total Expenditures	97,332,098	71,510,863	23,146,313	82,849,993	274,839,267
Excess (Deficiency) of Revenues Over (Under) Expenditures	15,539,709	(26,356,427)	364,964	(21,463,378)	(31,915,132)
OTHER FINANCING SOURCES (USES)					
Transfers In	2,781,266	15,863,245	1,049,940	40,999,016	60,693,467
Transfers Out	(19,853,028)	(5,890,192)	(621,094)	(31,961,074)	(58,325,388)
Issuance of Debt	3,495,000	-	-	5,382,537	8,877,537
Premium on Debt Issued	46,026	-	-	52,742	98,768
Sale of Capital Assets	57,103	3,489	-	404,739	465,331
Total Other Financing Sources (Uses)	(13,473,633)	9,976,542	428,846	14,877,960	11,809,715
Net Change in Fund Balances	2,066,076	(16,379,885)	793,810	(6,585,418)	(20,105,417)
Fund Balances - Beginning	30,412,704	46,517,717	18,558,542	119,439,235	214,928,198
Fund Balances - Ending	$ 32,478,780	30,137,832	19,352,352	112,853,817	194,822,781

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, 2008

Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds	$ (20,105,417)
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.	30,972,775
The net effect of various miscellaneous transactions involving capital contributions is to increase net assets.	5,493,414
Revenues in the statement of activites that do not provide current financial resources are not reported as revenues in the funds.	8,902,625
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.	(417,413)
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.	(5,841,453)
Changes in the net pension asset/obligation and the net OPEB asset/obligation do not represent financial activity in governmental funds.	(753,216)
Changes in the interest in the underlying net assets of the joint venture do not represent financial activity in governmental funds.	32,093,025
Internal service funds are used by management to charge the costs of certain services to individual funds.	3,973,584
Change in net assets of governmental activities	$ 54,317,924

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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Real Estate and Personal Property Tax	$ 30,715,949	30,715,949	33,424,864	2,708,915
Taxes Collected by Others	55,390,453	55,390,453	55,733,297	342,844
Sundry Taxes and In Lieu	28,578	28,578	38,004	9,426
Occupation Taxes	9,253,240	9,253,240	9,945,069	691,829
Intergovernmental	3,303,834	3,303,834	3,144,120	(159,714)
Permits and Fees	2,669,984	2,669,984	2,576,164	(93,820)
Reimbursement for Services	2,611,846	2,611,846	2,299,668	(312,178)
Court Fees	485,200	485,200	493,981	8,781
Recreation Receipts	2,142,732	2,142,732	2,132,635	(10,097)
Investment Earnings	575,532	575,532	895,373	319,841
Donations	776,423	776,423	849,423	73,000
Rental Income	624,504	624,504	656,743	32,239
Miscellaneous	441,190	441,190	1,549,650	1,108,460
Total Revenues	109,019,465	109,019,465	113,738,991	4,719,526
Expenditures:				
General Government:				
Legislative	307,602	307,602	260,375	47,227
Executive	1,077,201	1,112,498	1,024,796	87,702
Financial Administration	2,339,055	2,339,055	2,220,389	118,666
Law	1,975,470	2,045,470	2,037,102	8,368
Personnel Administration	946,162	910,865	887,976	22,889
Planning and Zoning	1,725,681	1,725,681	1,563,946	161,735
Urban Development	755,452	758,865	759,051	(186)
Miscellaneous	19,119,986	18,970,678	18,675,584	295,094
Total General Government	28,246,609	28,170,714	27,429,219	741,495
Public Safety:				
Police	30,601,186	30,098,539	29,287,123	811,416
Fire	19,779,090	19,979,139	19,264,577	714,562
Traffic Engineering	1,556,322	1,556,322	1,458,240	98,082
Total Public Safety	51,936,598	51,634,000	50,009,940	1,624,060
Streets and Highways:				
Street Maintenance	2,246,863	2,257,118	2,160,518	96,600
Street Lighting	3,672,811	3,672,811	5,465,607	(1,792,796)
Total Streets and Highways	5,919,674	5,929,929	7,626,125	(1,696,196)
Culture and Recreation:				
Parks and Recreation	11,781,995	11,806,917	11,485,321	321,596
Libraries	123,454	123,454	123,454	-
Total Culture and Recreation	11,905,449	11,930,371	11,608,775	321,596
Economic Opportunity:				
Lincoln Area Agency on Aging	205,649	205,649	205,649	-
Health and Welfare:				
Lincoln/Lancaster County Health	388,900	388,900	388,900	-
Debt Service:				
Issuance and Management Costs	-	-	50,802	(50,802)
Total Expenditures	98,602,879	98,259,563	97,319,410	940,153
Excess of Revenues Over Expenditures	10,416,586	10,759,902	16,419,581	5,659,679
Other Financing Sources (Uses):				
Transfers In	3,378,368	3,378,368	2,769,801	(608,567)
Transfers Out	(19,508,967)	(19,954,463)	(19,853,028)	101,435
Proceeds from Issuance of Debt	3,495,000	3,495,000	3,495,000	-
Premium on Debt Issued	-	-	46,026	46,026
Sale of Capital Assets	68,956	68,956	56,143	(12,813)
Total Other Financing Sources (Uses)	(12,566,643)	(13,012,139)	(13,486,058)	(473,919)
Net Change in Fund Balances	(2,150,057)	(2,252,237)	2,933,523	5,185,760
Fund Balances - Beginning	19,462,802	19,462,802	19,462,802	-
Fund Balances - Ending	$ 17,312,745	17,210,565	22,396,325	5,185,760

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

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

CITY OF LINCOLN, NEBRASKA
STREET CONSTRUCTION FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED AUGUST 31, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Intergovernmental	$ 11,614,559	11,614,559	16,921,585	5,307,026
Permits and Fees	-	-	1,799,910	1,799,910
Reimbursement for Services	400,000	400,000	10,655	(389,345)
Investment Earnings	100,000	100,000	191,807	91,807
Miscellaneous	-	-	603	603
Total Revenues	12,114,559	12,114,559	18,924,560	6,810,001
Expenditures -- Streets and Highways:				
Personal Services	3,415,951	3,445,951	3,390,037	55,914
Materials and Supplies	551,300	551,300	462,990	88,310
Other Services and Charges	2,727,909	2,675,563	1,974,704	700,859
Capital Outlay	30,925	30,925	9,372	21,553
Total Expenditures	6,726,085	6,703,739	5,837,103	866,636
Excess of Revenues Over Expenditures	5,388,474	5,410,820	13,087,457	7,676,637
Other Financing Sources (Uses):				
Transfers In	15,849,451	15,849,451	15,849,451	-
Transfers Out	(5,890,192)	(5,890,192)	(5,890,192)	-
Sale of Assets	-	-	3,489	3,489
Total Other Financing Sources (Uses)	9,959,259	9,959,259	9,962,748	3,489
Net Change in Fund Balances	15,347,733	15,370,079	23,050,205	7,680,126
Amount Budgeted on Project Basis	(40,410,474)	(40,410,747)	(40,410,747)	-
Fund Balances - Beginning	43,892,644	43,892,644	43,892,644	-
Fund Balances - Ending	$ 18,829,903	18,851,976	26,532,102	7,680,126

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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Intergovernmental	$ 21,689,695	21,689,695	22,414,978	725,283
Permits and Fees	498,953	498,953	498,953	-
Reimbursement for Services	278,718	278,718	278,718	-
Client Contributions	272	272	272	-
Program Income	1,034,014	1,034,014	1,193,538	159,524
Recreation Receipts	14,085	14,085	14,085	-
Investment Earnings	29,920	29,920	30,050	130
Donations	224,118	224,118	224,118	-
Rental Income	88,517	88,517	90,475	1,958
Miscellaneous	12,424	12,424	12,424	-
Total Revenues	23,870,716	23,870,716	24,757,611	886,895
Expenditures:				
General Government:				
Materials and Supplies	26	26	26	-
Other Services and Charges	95,872	95,872	95,872	-
Capital Outlay	7,370	7,370	7,370	-
Total General Government	103,268	103,268	103,268	-
Public Safety:				
Personal Services	1,191,115	1,191,115	1,191,115	-
Materials and Supplies	180,555	180,555	180,555	-
Other Services and Charges	996,345	996,345	996,345	-
Capital Outlay	963,654	963,654	963,654	-
Total Public Safety	3,331,669	3,331,669	3,331,669	-
Streets and Highways:				
Other Services And Charges	20	20	20	-
Culture and Recreation:				
Personal Services	632,383	632,383	632,383	-
Materials and Supplies	41,758	41,758	41,758	-
Other Services and Charges	288,157	288,157	288,157	-
Capital Outlay	438,114	438,114	438,114	-
Total Culture and Recreation	1,400,412	1,400,412	1,400,412	-
Economic Opportunity:				
Personal Services	4,325,298	4,315,298	4,219,134	96,164
Materials and Supplies	105,470	105,470	105,498	(28)
Other Services and Charges	1,825,920	1,857,177	1,688,409	168,768
Capital Outlay	193,423	1,074,402	262,568	811,834
Loans and Grants	4,219,373	4,694,644	4,106,749	587,895
Total Economic Opportunity	10,669,484	12,046,991	10,382,358	1,664,633

(Continued)

(Federal Grants Fund, Continued)

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Health and Welfare:				
Personal Services	4,388,275	4,388,275	4,388,275	-
Materials and Supplies	132,731	132,731	132,731	-
Other Services and Charges	3,794,125	3,794,125	3,794,125	-
Capital Outlay	154,190	154,190	154,190	-
Loans and Grants	36,388	36,388	36,388	-
Total Health and Welfare	8,505,709	8,505,709	8,505,709	-
Mass Transit:				
Personal Services	150,849	150,849	150,849	-
Materials and Supplies	370	370	370	-
Other Services and Charges	11,928	11,928	11,928	-
Total Mass Transit	163,147	163,147	163,147	-
Total Expenditures	24,173,709	25,551,216	23,886,583	1,664,633
Excess (Deficiency) of Revenues Over (Under) Expenditures	(302,993)	(1,680,500)	871,028	2,551,528
Other Financing Sources (Uses):				
Transfers In	1,030,734	1,030,734	1,049,940	19,206
Transfers Out	(135,090)	(135,090)	(621,094)	(486,004)
Total Other Financing Sources (Uses)	895,644	895,644	428,846	(466,798)
Net Change in Fund Balances	592,651	(784,856)	1,299,874	2,084,730
Fund Deficits - Beginning	(1,067,341)	(1,067,341)	(1,067,341)	-
Fund Balances (Deficits) - Ending	$ (474,690)	(1,852,197)	232,533	2,084,730

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, 2008

	Business-Type Activities -- Enterprise Funds					Governmental Activities -- Internal Service Funds
	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Other Enterprise Funds	Total	
ASSETS						
Current Assets:						
Cash and Cash Equivalents	$ 3,671,799	3,491,334	36,465,000	4,334,773	47,962,906	5,412,487
Investments	-	-	-	12,481,696	12,481,696	18,699,301
Restricted Cash and Cash Equivalents	-	-	15,299,000	9,347	15,308,347	-
Receivables, (Net of Allowance for Uncollectibles)	1,692,821	2,396,260	17,126,000	2,042,006	23,257,087	524,219
Unbilled Revenues	2,099,004	3,483,790	6,409,000	-	11,991,794	-
Due from Other Funds	1,271,083	1,400,175	-	1,358,759	4,030,017	2,072,519
Due from Other Governments	-	-	-	73,925	73,925	230,885
Inventories	101,055	1,043,435	15,584,000	198,705	16,927,195	848,602
Plant Operation Assets	-	-	9,859,000	-	9,859,000	-
Prepaid Expenses	-	-	1,247,000	43,144	1,290,144	265,983
Total Current Assets	8,835,762	11,814,994	101,989,000	20,542,355	143,182,111	28,053,996
Noncurrent Assets:						
Restricted Assets:						
Cash and Cash Equivalents	-	-	55,372,000	936,709	56,308,709	-
Investments	18,172,039	19,483,372	7,247,000	3,876,269	48,778,680	-
Receivables	194,112	180,709	-	47,875	422,696	-
Due from Other Funds	-	-	-	180,679	180,679	-
Total Restricted Assets	18,366,151	19,664,081	62,619,000	5,041,532	105,690,764	-
Deferred Charges	821,232	640,025	10,143,000	439,587	12,043,844	-
Capital Assets:						
Land	5,454,208	4,832,093	-	10,718,219	21,004,520	48,250
Buildings	75,130,556	99,328,684	-	49,525,644	223,984,884	373,146
Improvements Other Than Buildings	233,809,970	241,191,398	-	30,545,745	505,547,113	1,159,425
Machinery and Equipment	8,349,695	6,545,791	-	11,601,729	26,497,215	24,705,098
Utility Plant	-	-	1,102,873,000	-	1,102,873,000	-
Construction in Progress	6,293,116	26,510,579	44,755,000	553,254	78,111,949	-
Less Accumulated Depreciation	(76,837,606)	(92,092,127)	(366,241,000)	(42,940,685)	(578,111,418)	(16,396,984)
Total Capital Assets, Net	252,199,939	286,316,418	781,387,000	60,003,906	1,379,907,263	9,888,935
Total Noncurrent Assets	271,387,322	306,620,524	854,149,000	65,485,025	1,497,641,871	9,888,935
Total Assets	280,223,084	318,435,518	956,138,000	86,027,380	1,640,823,982	37,942,931
LIABILITIES						
Current Liabilities:						
Accounts Payable	398,790	805,779	12,852,000	941,973	14,998,542	391,161
Construction Contracts	4,713,274	6,757,677	1,499,000	-	12,969,951	-
Accrued Liabilities	408,002	1,168,659	9,898,000	216,900	11,691,561	484,354
Accrued Compensated Absences	329,692	381,940	-	255,519	967,151	629,778
Due to Other Funds	-	-	-	1,183,741	1,183,741	668,790
Due to Other Governments	-	-	-	134,567	134,567	335
Unearned Revenue	-	-	-	894,669	894,669	332,455
Claims	-	-	452,000	-	452,000	4,414,594
Accrued Interest	795,847	131,874	10,104,000	40,502	11,072,223	301
Commercial Paper Notes Payable	-	-	90,000,000	-	90,000,000	-
Current Portion of Capital Lease	-	-	-	139,619	139,619	60,883
Current Portion of Long-Term Debt	2,620,000	5,795,000	13,000,000	1,890,000	23,305,000	-
Other	-	-	6,953,000	-	6,953,000	-
Total Current Liabilities	9,265,605	15,040,929	144,758,000	5,697,490	174,762,024	6,982,651
Noncurrent Liabilities:						
Due to Other Funds	-	-	-	922,799	922,799	-
Accrued Compensated Absences	179,496	318,629	-	62,184	560,309	666,766
Construction Contracts	1,429,983	1,599,554	-	-	3,029,537	-
Claims	-	-	750,000	-	750,000	2,258,208
Long-Term Debt, Net	82,981,949	62,839,352	601,382,000	14,949,924	762,153,225	-
Capital Lease Payable	-	-	-	337,909	337,909	47,014
Accrued Liabilities	29,594	42,016	-	23,221	94,831	21,322
Accrued Landfill Closure/Postclosure Care Costs	-	-	-	9,934,000	9,934,000	-
Total Noncurrent Liabilities	84,621,022	64,799,551	602,132,000	26,230,037	777,782,610	2,993,310
Total Liabilities	93,886,627	79,840,480	746,890,000	31,927,527	952,544,634	9,975,961
NET ASSETS						
Invested in Capital Assets, Net of Related Debt	181,510,053	224,118,809	121,932,000	46,259,992	573,820,854	9,781,038
Restricted for:						
Debt Service	291,870	220,921	25,114,000	199,810	25,826,601	-
Capital Projects	220,690	404,423	-	1,175,506	1,800,619	-
Other	-	-	-	87,819	87,819	-
Unrestricted	4,313,844	13,850,885	62,202,000	6,376,726	86,743,455	18,185,932
Total Net Assets	$ 186,336,457	238,595,038	209,248,000	54,099,853	688,279,348	27,966,970

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, 2008

	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	$ 20,621,911	24,049,039	225,406,000	4,039,667	274,116,617	50,425,678
Fees	-	-	-	8,104,321	8,104,321	-
Parking Facility Revenue	-	-	-	6,922,855	6,922,855	-
Performance Revenue	-	-	-	1,351,185	1,351,185	-
Other Operating Revenue	-	-	-	786,589	786,589	-
Total Operating Revenues	20,621,911	24,049,039	225,406,000	21,204,617	291,281,567	50,425,678
Operating Expenses						
Personal Services	-	-	-	6,949,831	6,949,831	12,571,739
Contractual Services	-	-	-	4,212,234	4,212,234	-
Operation and Maintenance	9,904,688	12,290,451	12,748,000	5,524,183	40,467,322	33,292,987
Purchased Power	-	-	118,001,000	-	118,001,000	-
Depreciation	6,784,983	6,927,237	33,014,000	3,542,652	50,268,872	2,567,986
Administrative Costs	1,488,936	2,135,070	23,835,000	-	27,459,006	-
Total Operating Expenses	18,178,607	21,352,758	187,598,000	20,228,900	247,358,265	48,432,712
Operating Income	2,443,304	2,696,281	37,808,000	975,717	43,923,302	1,992,966
Nonoperating Revenues (Expenses)						
Investment Earnings	1,261,703	1,967,280	4,360,000	1,172,730	8,761,713	1,262,885
Gain (Loss) on Disposal of Capital Assets	-	-	-	(16,075)	(16,075)	12,031
Occupation Tax	-	-	-	2,134,549	2,134,549	-
Grants	-	26,000	-	-	26,000	-
Payments in Lieu of Taxes	-	-	(8,264,000)	-	(8,264,000)	-
Amortization of Deferred Charges	(38,904)	(70,033)	(56,000)	(52,560)	(217,497)	-
Interest Expense and Fiscal Charges	(747,942)	(1,956,146)	(28,676,000)	(1,023,214)	(32,403,302)	(4,688)
Total Nonoperating Revenues (Expenses)	474,857	(32,899)	(32,636,000)	2,215,430	(29,978,612)	1,270,228
Income Before Contributions and Transfers	2,918,161	2,663,382	5,172,000	3,191,147	13,944,690	3,263,194
Capital Contributions	2,544,965	2,996,307	5,161,000	109,883	10,812,155	337,664
Transfers In	-	-	-	532,062	532,062	418,217
Transfers Out	-	-	(1,492,000)	(1,780,867)	(3,272,867)	(45,491)
Change in Net Assets	5,463,126	5,659,689	8,841,000	2,052,225	22,016,040	3,973,584
Net Assets - Beginning	180,873,331	232,935,349	200,407,000	52,047,628	666,263,308	23,993,386
Net Assets - Ending	$ 186,336,457	238,595,038	209,248,000	54,099,853	688,279,348	27,966,970

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, 2008

	Business-Type Activities -- Enterprise Funds					Governmental Activities -- Internal Service Funds
	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Other Enterprise Funds	Total	
Cash Flows from Operating Activities						
Receipts from Customers and Users	$ 20,490,193	25,612,772	229,373,000	20,231,595	295,707,560	12,723,175
Receipts from Interfund Services Provided	155,418	630,255	4,779,000	241,990	5,806,663	38,185,439
Payments to Suppliers for Goods and Services	(3,210,693)	(4,187,459)	(149,666,000)	(7,341,206)	(164,405,358)	(30,996,221)
Payments to Employees	(6,362,542)	(7,282,395)	(20,866,000)	(6,656,026)	(41,166,963)	(12,491,009)
Payments for Interfund Services Provided	(1,637,390)	(2,812,372)	(1,827,000)	(1,458,581)	(7,735,343)	(2,103,904)
Other Receipts	-	-	-	786,589	786,589	-
Net Cash Provided by Operating Activities	9,434,986	11,960,801	61,793,000	5,804,361	88,993,148	5,317,480
Cash Flows from Noncapital Financing Activities						
Occupation Tax	-	-	-	2,143,852	2,143,852	-
Payments in Lieu of Taxes	-	-	(7,786,000)	-	(7,786,000)	-
Transfers from Other Funds	-	-	-	773,395	773,395	418,217
Transfers to Other Funds	-	-	(1,385,000)	(2,022,200)	(3,407,200)	(45,491)
Advances from General Fund	-	-	-	854,840	854,840	1,797,819
Repayment of Advances from General Fund	-	-	-	(1,225,007)	(1,225,007)	(2,122,063)
Advances to Other Funds	-	-	-	(265,158)	(265,158)	(332,264)
Payments from Other Funds	367,656	1,043,836	-	33	1,411,525	8,355
Interest Paid	-	-	-	(87,564)	(87,564)	-
Federal Grant Revenue	-	26,000	-	-	26,000	-
Net Cash Provided (Used) by Noncapital Financing Activities	367,656	1,069,836	(9,171,000)	172,191	(7,561,317)	(275,427)
Cash Flows from Capital and Related Financing Activities						
Additions to Capital Assets	(15,174,630)	(25,438,740)	(76,939,000)	(1,487,137)	(119,039,507)	(2,052,388)
Proceeds from Sale of Capital Assets	-	-	-	3,688	3,688	131,065
Proceeds from Long-Term Debt	-	-	104,189,000	-	104,189,000	-
Net Proceeds of Retiring Plant	-	-	650,000	-	650,000	-
Capital Contributions	-	-	5,161,000	-	5,161,000	-
Principal Payments of Capital Lease	-	-	-	(444,469)	(444,469)	(58,886)
Principal Payments of Long-Term Debt	(2,415,000)	(5,555,000)	(19,175,000)	(1,820,000)	(28,965,000)	-
Interest and Fiscal Charges Paid	(996,915)	(2,167,275)	(30,753,000)	(936,131)	(34,853,321)	(4,852)
Net Cash Used by Capital and Related Financing Activities	(18,586,545)	(33,161,015)	(16,867,000)	(4,684,049)	(73,298,609)	(1,985,061)
Cash Flows from Investing Activities						
Proceeds from Sale and Maturities of Investments	15,565,485	20,150,664	22,917,000	5,560,439	64,193,588	6,793,008
Purchases of Investments	(9,197,238)	(5,320,121)	-	(6,892,961)	(21,410,320)	(9,688,848)
Interest and Other Receipts	1,214,896	1,778,244	3,703,000	944,378	7,640,518	1,027,969
Net Cash Provided (Used) by Investing Activities	7,583,143	16,608,787	26,620,000	(388,144)	50,423,786	(1,867,871)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,200,760)	(3,521,591)	62,375,000	904,359	58,557,008	1,189,121
Cash and Cash Equivalents - Beginning	4,872,559	7,012,925	44,761,000	4,376,470	61,022,954	4,223,366
Cash and Cash Equivalents - Ending	$ 3,671,799	3,491,334	107,136,000	5,280,829	119,579,962	5,412,487
Reconciliation of Operating Income to Net Cash Provided by Operating Activities						
Operating Income	$ 2,443,304	2,696,281	37,808,000	975,717	43,923,302	1,992,966
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation	6,784,983	6,927,237	33,014,000	3,542,652	50,268,872	2,567,986
Changes in Assets and Liabilities:						
Accounts Receivable and Unbilled Revenues	19,300	2,181,738	(2,584,000)	188,635	(194,327)	109,864
Due from Other Funds	-	-	-	(541)	(541)	698,628
Due from Other Governments	-	-	-	(69,576)	(69,576)	(62,952)
Inventories	(7,366)	(220,584)	(2,826,000)	(10,995)	(3,064,945)	(245,176)
Plant Operation Assets	-	-	(3,476,000)	-	(3,476,000)	-
Prepaid Expenses	-	-	(419,000)	(35,447)	(454,447)	48,642
Other Assets	-	-	728,000	-	728,000	-
Accounts Payable	110,741	264,805	(561,000)	213,229	27,775	77,210
Accrued Liabilities	60,732	100,319	-	23,039	184,090	69,788
Accrued Compensated Absences	23,292	11,005	-	19,342	53,639	10,942
Due to Other Funds	-	-	-	4,965	4,965	(4,463)
Due to Other Governments	-	-	-	(461)	(461)	(647)
Unearned Revenue	-	-	-	(30,198)	(30,198)	(262,604)
Claims	-	-	-	-	-	317,296
Deferred Credits and Other Liabilities	-	-	109,000	-	109,000	-
Accrued Landfill Closure/Postclosure Care Costs	-	-	-	984,000	984,000	-
Total Adjustments	6,991,682	9,264,520	23,985,000	4,828,644	45,069,846	3,324,514
Net Cash Provided by Operating Activities	$ 9,434,986	11,960,801	61,793,000	5,804,361	88,993,148	5,317,480
Supplemental Disclosure of Noncash Investing, Capital, and Financing Activities:						
Contribution of Capital Assets	$ 2,080,712	1,755,442	-	109,883	3,946,037	337,664
Purchase of Capital Assets on Account	6,143,257	8,357,231	-	159,402	14,659,890	3,736
Change in Fair Value of Investments	179,211	366,390	57,000	246,993	849,594	240,376
Debt Refunding/Defeasance	-	-	169,230,000	-	-	-

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

CITY OF LINCOLN, NEBRASKA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
AUGUST 31, 2008

	Police & Fire Pension Trust Fund	Agency Funds
ASSETS		
Cash and Cash Equivalents	$ 1,311,025	3,337,865
Investments:		
Pooled Investment Funds	1,928,822	-
U.S. Agency Obligations	5,176,855	2,843,800
Corporate Bonds	1,149,600	-
Municipal Bonds	587,808	-
Mutual Funds	149,953,554	-
Real Estate Limited Partnership	21,386,895	-
Other	633,080	-
Total Investments	180,816,614	2,843,800
Receivables:		
Contributions	383,136	-
Accrued Interest	843,749	39,845
Other	-	38,234
Due from Other Governments	213	-
Contractor Retainage	-	836,784
Total Assets	183,354,737	7,096,528
LIABILITIES		
Warrants Payable	-	1,655,399
Accounts Payable	226,055	180,501
Accrued Liabilities	2,638	-
Accrued Compensated Absences	15,484	-
Due to Other Governments	175	3,525,546
Due to Homeowners	-	44,008
Due to Contractors	-	1,381,219
Due to Joint Venture	-	191,929
Due to Bondholders	-	117,926
Total Liabilities	244,352	7,096,528
NET ASSETS		
Held in Trust for Pension Benefits and Other Purposes	$ 183,110,385	

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, 2008

		Police & Fire Pension Trust Fund
Additions:		
Contributions:		
Employer	$	3,561,375
Employee		2,123,905
Total Contributions		5,685,280
Investment Earnings:		
Interest		696,076
Dividends		3,302,978
Net Decrease in Fair Value of Investments		(16,680,089)
Net Investment Earnings		(12,681,035)
Total Additions		(6,995,755)
Deductions:		
Benefit Payments		8,808,639
Refunds of Contributions		431,229
Administrative Costs		437,940
Total Deductions		9,677,808
Change in Net Assets		(16,673,563)
Net Assets Held in Trust for Pension Benefits and Other Purposes - Beginning		199,783,948
Net Assets Held in Trust for Pension Benefits and Other Purposes - Ending	$	183,110,385

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

NOTES TO THE FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

FISCAL YEAR-END

All funds of the City, with the exception of Lincoln Electric System (LES), are reported as of and for the year ended August 31, 2008. 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, 2007. The amounts included in the City's 2008 financial statements for LES are amounts as of and for the year ended December 31, 2007.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

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

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major enterprise funds:

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

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

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

Additionally, the City reports the following fund types:

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

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

The Agency Funds account for the collection of various taxes, fines, and fees due to other government entities; funds held in escrow for homeowners; good faith money due to contractors upon project completion; funds held to pay outstanding warrants; funds to pay phone system charges; funds to pay matured bonds and coupons for which the City Treasurer is trustee; funds for the joint administrative entity known as JAVA, created to coordinate planning and implementation of the Antelope Valley Project; funds deposited by Gateway Shopping Center in fulfillment of a condition of the use permit for expansion; and reserve funds held for the Public Building Commission Bonds.

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict pronouncements of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. Only the City's Lincoln Wastewater System and Lincoln Water System funds have elected to follow subsequent private-sector guidance.

The effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and charges between the business-type functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, fines and forfeitures, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and of the government's internal service funds are charges to customers for goods and services. Operating expenses include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

ASSETS, LIABILITIES, AND NET ASSETS OR FUND EQUITY

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. These investments are not specifically identified with any one fund. Interest is allocated to the individual funds on the basis of average cash balances.

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

Investments in the Pension Trust Fund are carried at fair value. Investments in other funds are carried at fair value, except for short-term investments, which are reported at amortized cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair value, based on relevant

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

Receivables and Payables

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

Noncurrent portions of long-term receivables due to governmental funds are reported on their balance sheets, in spite of their spending measurement focus. 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. When certain payments are made that have benefit to future accounting periods and are funded by interfund borrowings, they are recorded as prepayments, with a like amount of interfund liability reflected. The prepayments are charged to expenditures on the governmental fund financial statements over the period of their economic benefit.

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

Deferred Charges

Advances for mine development are payments made for the construction of the Dry Fork Coal Mine and are included in deferred charges on the statement of net assets. The mine is expected to provide fuel for Laramie River Station over the estimated 25-year life of the mine. The advances will be returned to LES over the estimated life of the mine.

Investment in Joint Venture

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

Capital Assets

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

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

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

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

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

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

Compensated Absences

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

Employees earn sick leave at the rate of one day per month with total accumulation limits established by the employees' bargaining unit. Upon retirement, an employee is reimbursed for accumulated sick leave with maximums depending on the employees' bargaining unit contract. In some cases payment may be placed 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 also compensated for sick leave. LES is covered by a separate personnel plan regarding vacation and sick leave with the liability for these benefits recorded in accrued liabilities.

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

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

Termination Benefits

The City established a Temporary Retirement Incentive Program, offered December 27, 2007, until May 2, 2008, for the purpose of encouraging eligible employees considering an early leave decision to accelerate their retirement plans. Eligible employees included those age 55 with 20 years of service or age 62 and older. Thirty-three employees elected to voluntarily resign from City employment no later than October 15, 2008. As material inducement the City has agreed to contribute between $5,000 - $17,500 plus an amount equal to 15% - 35% of accrued sick leave balance at the time of retirement, based on years of service and date of application, to the employee's Post Employment Health Plan account. Such amounts are in addition to any accrued sick leave otherwise payable upon retirement.

The City records a liability and expense at the government-wide level and in the proprietary funds upon election by the employees to participate in the Program. The liability at August 31, 2008, and expense in the 2008 government-wide financial statements approximated $760,000, which represents actual

future payments to be made. In the governmental fund financial statements, liability and expense are not recognized until employees actually terminate employment, therefore no governmental fund-level expense was recognized in fiscal 2008 for this Program.

Long-Term Obligations

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

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

Fund Equity

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

The City has established a policy providing for an unreserved fund balance in the City's General Fund. To meet excess cash flow needs, no less than twenty percent of the ensuing year's General Fund budget is to be set aside as an unrestricted reserve. Currently $23,097,337 of the General Fund's unreserved fund balance of $28,453,611 meets the requirements of this policy, leaving an additional unreserved balance of $5,356,274.

Net Assets Classification

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

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

Restricted – This component of net assets consists of restrictions placed on net assets use through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or law or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports $273,057,847 of restricted net assets, of which enabling legislation restricts $20,489,281.

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

6) Appropriation controls are required at the departmental level. However, as a matter of policy and practice, appropriations generally are controlled at the next level of organization (division) or by fund within a department.

7) Operating appropriations lapse at the end of the fiscal year except for capital improvement appropriations and year-end encumbrances against operating budgets. Capital improvement appropriations are continuing appropriations through completion of the project.

8) Budgets are adopted by resolution for the following fund types: general, special revenue, debt service, capital projects, permanent, enterprise, internal service, and pension trust. Legally adopted annual budgets are not established for certain special revenue (Advance Acquisition, Tax Sales Revolving, Police & Fire Pension Contributions, Special Assessment, Property Tax Refunds, Impact Fees, Parks & Recreation Special Projects, and Seniors Foundation of Lincoln & Lancaster County), debt service (Special Assessment), permanent (J.J. Hompes), and agency funds. In addition, capital project funds are budgeted on a project rather than an annual basis.

ENDOWMENTS

The Community Health Permanent Endowment Fund was established in 1997 with the $37,000,000 cash proceeds realized by the City from the sale of Lincoln General Hospital, and may be increased by donations, bequests, or appropriations to the fund. Investment earnings of the fund are used for funding health and health-related programs that further the health, safety, or welfare of the citizens of Lincoln. The initial endowment principal is reported as restricted net assets in the statement of net assets.

PRIOR-YEAR SUMMARIZED FINANCIAL INFORMATION

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's basic financial statements as of and for the year ended August 31, 2007, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

ESTIMATES

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

IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

In 2008, the City implemented the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions (OPEB)*, which establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and required supplementary information, where applicable, in the financial reports of state and local governmental employers. The implementation of GASB 45 did not have a material effect on the financial statements.

In 2008, the City implemented the provisions of GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, which establishes criteria that governments will use to ascertain whether transactions should be regarded as sales or as collateralized borrowings. The statement also includes requirements for future revenues that are pledged or sold. The implementation had no impact on the financial statements.

In 2008, the City also implemented the provisions of GASB Statement No. 50, *Pension Disclosures (an amendment of GASB Statements No. 25 and No. 27)*, which amended the financial note disclosures for pension plans.

NEW ACCOUNTING PRONOUNCEMENTS

GASB has issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, effective for financial statements for periods beginning after December 15, 2007. Statement 49 addresses standards for pollution remediation obligations dealing with the current or potential detrimental effects of existing pollution by participation in pollution remediation activities such as site assessments and cleanups. The City will review this standard for possible application during the year ending August 31, 2009.

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

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

The governmental funds balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets of governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, "Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, not reported in the funds." The details of the $183,292,481 difference are as follows:

Bonds Payable	$ 136,481,155
Less deferred charge for issuance costs	(1,324,588)
Less issuance discounts	(24,617)
Plus issuance premiums	2,770,962
Capital Leases Payable	28,465,717
Accrued Interest Payable	1,713,278
Net Pension Obligation	4,432,294
Net OPEB Obligation	301,698
Compensated Absences	10,476,582
Net difference	$ 183,292,481

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

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances – total governmental funds* and *change in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this $30,972,775 difference are as follows:

Capital outlay	$ 52,688,684
Depreciation expense	(21,715,909)
Net difference	$ 30,972,775

Another element of that reconciliation states, "The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this $(417,413) difference are as follows:

Debt issued or incurred:	
Issuance of tax allocation bonds	$ (1,377,537)
Issuance of certificates of participation	(7,500,000)
Deferred charge for issuance costs	91,259
Issuance premiums	(98,768)
Amortization of deferred items	(16,739)
Principal repayments	8,484,372
Net difference	$ (417,413)

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this $(5,841,453) difference are as follows:

Loss on disposal of capital assets	$ (727,732)
Termination benefits	245,123
Construction contracts	(5,436,409)
Other	271,910
Accrued interest	(63,282)
Compensated absences	(131,063)
Net difference	$ (5,841,453)

(3) RESTRICTED ASSETS

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

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

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

A recap of restrictions and related balances at August 31, 2008 are as follows:

Fund Account	Golf	Parking Facilities	Pershing Municipal Auditorium	Solid Waste Management	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Totals
Principal and Interest	$ 3,363	230,444	-	-	-	-	15,299,000	15,532,807
Reserve	316,500	1,815,575	-	400,000	6,354,904	8,281,319	21,418,000	38,586,298
Depreciation and Replacement	100,000	682,850	-	-	-	-	-	782,850
Construction	-	-	-	1,335,559	12,011,247	11,382,762	41,201,000	65,930,568
Capital Improvements	60,275	18,551	9,347	-	-	-	-	88,173
Marketing	-	-	78,415	-	-	-	-	78,415
	$ 480,138	2,747,420	87,762	1,735,559	18,366,151	19,664,081	77,918,000	120,999,111

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

(4) DEPOSITS AND INVESTMENTS

DEPOSITS

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

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

At August 31, 2008, the City's cash deposits or certificates of deposit, in excess of the FDIC limits, are covered by collateral held in a Federal Reserve pledge account or by an agent for the City and thus no custodial credit risk exists.

APPENDIX C

DEFINITIONS AND SUMMARIES OF CERTAIN PRINCIPAL DOCUMENTS

APPENDIX C

DEFINITIONS AND SUMMARIES OF CERTAIN PRINCIPAL DOCUMENTS

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

Definitions

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

"Additional Certificates" means any Certificates executed and delivered pursuant to the Declaration of Trust.

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

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

"Basic Rent Payment" means a payment of Basic Rent.

"Basic Rent Payment Date" means each March 15 and September 15 during the Lease Term, commencing on September 15, 2009.

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

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

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

"Certificates" means the Series 2009 Certificates and any Additional Certificates.

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

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

"Completion Certificate" means the certificate of the City given in accordance with the Lease.

"Completion Date" means the date of completion of the Equipment as that date shall be certified as provided in the Lease.

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

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

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

"Declaration of Trust" means the Declaration of Trust dated May 20, 2009, made by the Trustee, as the same may from time to time be amended or supplemented in accordance with its terms.

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

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

"Equipment" means the street lights and related equipment identified and described in the Lease.

"Event of Default" means an Event of Default as described in the Declaration of Trust.

"Event of Lease Default" means an Event of Default as described in the Lease.

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

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

"Government Obligations" means (a) direct noncallable obligations of the United States of America and obligations the timely payment of principal and interest on which is fully and unconditionally guaranteed by the United States of America, and (b) trust receipts or certificates evidencing participation or other direct ownership interests in principal or interest payments to be made upon obligations described in clause (a) above that are held in a custody or trust account free and clear of all claims of persons other than the holders of such trust receipts or certificates, and (c) obligations which

are noncallable or for which the call date has been irrevocably determined having an investment rating in the highest rating category of either Moody's or S&P as a result of the advance refunding of such obligations by the deposit of direct noncallable obligations of the United States of America in a trust or escrow account segregated and exclusively set aside for the payment of such obligations and which mature as to principal and interest in such amounts and at such times as will insure the availability of sufficient money to timely pay such principal and interest.

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

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

(a) Government Obligations;

(b) other obligations issued by or on behalf of agencies or instrumentalities of the United States of America except for the Federal Farm Credit Bank;

(c) negotiable certificates of deposit, demand deposits and other deposit arrangements, repurchase agreements, and investment agreements issued by banks or trust companies, including without limitation, the Trustee and its affiliates, continuously secured (to the extent not fully insured by the Federal Deposit Insurance Trustee), for the benefit of the Trustee by lodging with a bank or trust company (which may or may not be the bank or trust company issuing such negotiable certificates of deposit, repurchase agreement or investment agreement), as collateral security, securities specified in paragraphs (a) and (b) above having a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit, demand deposits and other deposit arrangements; and

(d) money market mutual funds rated in the highest rating category by a nationally recognized rating service consisting of Government Obligations or repurchase agreements for Government Obligations.

"Lease" means the Lease Purchase Agreement, dated May 20, 2009, between the Trustee, as lessor, and the City, as lessee, as amended and supplemented from time to time in accordance with its terms.

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

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

"Lease Term" means the term of the Lease beginning May 20, 2009 and ending on March 15, 2019, unless earlier terminated in accordance with the provisions hereof.

"Moody's" means Moody's Investors Service, Inc., and its successors and assigns, and, if such firm is dissolved or liquidated or shall no longer perform the functions of a securities rating service,

"Moody's" shall be deemed to refer to any other nationally recognized securities rating service designated by the City, with notice to the Trustee.

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

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

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

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

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

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

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

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

"Proceeds" means the aggregate moneys initially paid to the Trustee for the Certificates.

"Project Fund" means the Project Fund as defined in the Declaration of Trust.

"Purchase Price" means the amount designated as such in the Lease that the City shall pay to the Trustee to purchase the Trustee's interest in the Equipment.

"Rebate Fund" means the fund by that name established pursuant to the Declaration of Trust.

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

"Registrar" means the Trustee when acting in that capacity, or its successor as Registrar.

"Rent" means, collectively, Basic Rent and Supplemental Rent.

"Rent Payment" means a payment of Rent.

"Representation Letter" means the Representation Letter from the City to the Securities Depository.

"Securities Depository" means, initially, The Depository Trust Company, New York, New York, and its successors and assigns.

"Series 2009 Certificates" means the $[Principal Amount] aggregate principal amount Certificates of Participation, Series 2009, evidencing a proportionate interest in Basic Rent Payments to be made by The City of Lincoln, Nebraska, pursuant to a Lease Purchase Agreement, executed and delivered pursuant to the Declaration of Trust.

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

"State" means the State of Nebraska.

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

"Supplemental Lease" means any amendment or supplement to the Lease entered pursuant to the Lease entered into pursuant to the provisions of the Lease.

"Supplemental Rent" means all amounts due under the Lease other than Basic Rent.

"Supplemental Rent Payment" means a payment of Supplemental Rent.

"Tax Certificate" means the Federal Tax Certificate executed and delivered by the City in connection with the execution and delivery with each series of Certificates.

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

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

SUMMARY OF THE DECLARATION OF TRUST

General Provisions

The Declaration of Trust is made by the Trustee. The Declaration of Trust authorizes the Trustee to execute and deliver the Series 2009 Certificates, provides the terms of the Series 2009 Certificates and provides for various Funds related to the Equipment and the Lease.

Trust Estate

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

Additional Certificates

Upon the execution and delivery of a Supplemental Lease that provides for an increase in the amount of Basic Rent payable under the Lease and so long as no Event of Default exists, Additional Certificates evidencing the right of the Owners thereof to receive the Principal Portion and the Interest Portion of such additional Basic Rent may be executed and delivered under and equally and ratably secured by the Declaration of Trust on a parity with the Series 2009 Certificates and any other Additional Certificates, at any time and from time to time, upon compliance with the conditions provided in the Declaration of Trust, for the purpose of providing funds to pay all or any part of the cost of (a) repairing, replacing or restoring the Equipment, (b) improving, upgrading or modifying the Equipment, (c) the acquisition of additional Equipment, and (d) refunding any or all of the Certificates.

Establishment of Funds

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

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

Application of Lease Revenues

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

(a) The Basic Rent shall be deposited to the Lease Revenue Fund.

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

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

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

Disbursements from the Project Fund

Payment shall be made from money in the Project Fund upon receipt by the Trustee of a requisition certificate therefor signed by an Authorized Representative of the City. The Completion Date of the acquisition and installation of the Equipment and the payment of all Costs of Equipment (other than Costs of Equipment for which sufficient amounts are retained in the Project Fund) shall be evidenced by

the filing with the Trustee of the Completion Certificate pursuant to the Lease. As soon as practicable any balance remaining in the Project Fund shall be transferred and deposited without further authorization as provided in the Lease. In the event of the acceleration of all of the Certificates pursuant to the Lease, any money then remaining in the Project Fund shall be transferred and deposited to the credit of the Lease Revenue Fund and shall be used to pay the Interest Portion and Principal Portion of Basic Rent.

Application of Money in the Lease Revenue Fund

Except as otherwise provided in the Declaration of Trust, all amounts in the Lease Revenue Fund shall be used and withdrawn by the Trustee solely to pay Basic Rent represented by the Certificates when due and payable (including principal and accrued interest with respect to any Certificates paid prior to maturity pursuant to the Declaration of Trust).

Rebate Fund

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

Investment of Money in Various Funds

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

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

Amendments to the Declaration of Trust or the Lease

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

Reserve Fund or deprive the Owners of the trust created by the Declaration of Trust with respect to the money in the Project Fund or the Lease Revenue Fund or (c) create a preference or priority of any Certificate or Certificates over any other Certificate or Certificates without the consent of the Owners of all of the Certificates then Outstanding.

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

Defaults

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

(a) Default in the due and punctual payment of any Interest Portion of Basic Rent represented by a Certificate; or

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

(c) Any Event of Lease Default.

Acceleration

Upon the occurrence of an Event of Default, the Trustee may, and upon receipt of a Directive shall, by notice in writing delivered to the City, declare the Principal Portion and Interest Portion of Basic

Rent represented by all Certificates Outstanding to the end of the then current Fiscal Year immediately due and payable.

Other Remedies Upon an Event of Default

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

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

Rights of Certificate Owners

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

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

Defeasance

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

The Trustee

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

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

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

SUMMARY OF THE LEASE

General

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

Lease Term

The term of the Lease begins May 20, 2009 and ends on March 15, 2019, unless earlier terminated in accordance with the provisions thereof.

Obligations Unconditional

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

effect contrary to any of its obligations, covenants or agreements under the Lease or which releases or purports to release the City therefrom.

Net Lease

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

Payment for the Equipment

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

Completion Date; Excess Funds

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

Enjoyment of Equipment

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

Basic Rent

The City shall promptly pay all Basic Rent in lawful money of the United States of America on each Basic Rent Payment Date in such amounts as are described in the Lease. A portion of each Basic Rent Payment is paid as, and represents payment of, interest. To provide for the timely payment of Basic

Rent, the City shall pay to the Trustee for deposit in the Lease Revenue Fund not less than five business days before each Basic Rent Payment Date, the amount due on such Basic Rent Payment Date.

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

Supplemental Rent

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

Increased Basic Rent

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

Disclaimer of Warranties

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

Deficiency of Project Fund

If the Project Fund shall be insufficient to pay fully all Costs of Equipment and to complete fully the Equipment lien free, the City shall pay, in cash, the full amount of any such deficiency by making payments directly to the contractors and to the suppliers of materials and services as the same shall become due. The Trustee is not obligated to pay and shall not be responsible for any such deficiency, and the City shall save the Trustee whole and harmless from any obligation to pay such deficiency.

Impositions

The City shall bear, pay and discharge, before the delinquency thereof, as Supplemental Rent, all taxes and assessments, general and special, if any, which may be lawfully taxed, charged, levied, assessed or imposed upon or against or be payable for or in respect of the Equipment, including any taxes and assessments not of the kind enumerated above to the extent that the same are lawfully made, levied or assessed in lieu of or in addition to taxes or assessments now customarily levied against real or personal property, and further including all water and sewer charges, assessments and other general governmental charges and impositions whatsoever, foreseen or unforeseen, which if not paid when due would impair the

security of the Trustee or encumber the Equipment (all of the foregoing being herein referred to as **"Impositions"**).

Contest of Impositions

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

Insurance

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

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

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

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

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

Enforcement of Contract and Surety Bonds

In the event of material default of any contractor or subcontractor under a Contract or any other contract made in connection with the acquisition, construction and installation of the Equipment, or in the event of a material breach of warranty with respect to any materials, workmanship or performance, the City will promptly proceed, either separately or in conjunction with others, to pursue diligently the remedies of the City against the contractor or subcontractor in default and against each surety on a bond securing the performance of such contract. Any amounts recovered by way of damages, refunds, adjustments or otherwise in connection with the foregoing, after deduction of expenses incurred in such recovery and after reimbursement to the City of any amounts theretofore paid by the City not previously

reimbursed to the City for correction or remedying of the default that gave rise to the proceedings against the contractor or subcontractor or surety, will be paid to the Trustee for deposit in the Project Fund if received before the Completion Date and, if such funds are received after the Completion Date, for deposit in the Lease Revenue Fund to be used solely for the purpose of paying Basic Rent under the Lease.

Maintenance and Modification of Equipment by the City

The City will at its own expense (a) keep the Equipment in a safe condition, (b) with respect to the Equipment, comply with all applicable health and safety standards and all other industrial requirements or restrictions enacted or promulgated by the State, or any political subdivision or agency thereof, or by the government of the United States of America or any agency thereof, and (c) keep the Equipment in good repair and in good operating condition and make from time to time all necessary repairs thereto and renewals and replacements thereof; provided, however, that the City will have no obligation to operate, maintain, preserve, repair, replace or renew any element or unit of the Equipment the maintenance, repair, replacement or renewal of which becomes uneconomical to the City because of damage, destruction or obsolescence, or change in economic or business conditions, or change in government standards and regulations. The City shall not permit or suffer others to commit a nuisance in or about the Equipment or itself commit a nuisance in connection with its use or occupancy of the Equipment. The City will pay all costs and expenses of operation of the Equipment.

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

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

Damage, Destruction and Condemnation

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

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

will be applied by the City to payment of the Purchase Price. Any balance of the Net Proceeds remaining after paying the Purchase Price will belong to the City.

Purchase Option

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

(a) On or after March 15, 2014, upon payment in full of Rent Payments then due under the Lease plus a Purchase Price equal to 100% of the remaining Principal Portions of Basic Rent for the Lease Term, plus Interest Portions of Basic Rent accrued to the prepayment date.

(b) Upon deposit of money or Government Obligations or both with the Trustee in accordance with the Declaration of Trust in the amount necessary to provide for the Basic Rent Payments until and on, and the Purchase Price calculated as described in (a) above on the Certificates, to the prepayment date, which will be on or after March 15, 2014.

Partial Prepayment

The City will have the option to prepay the Basic Rent Payments in part, upon giving written notice to the Trustee at least 30 days before the date of such prepayment, at any time on or after March 15, 2014, at the Prepayment Price equal to the Principal Portion of Basic Rent being so prepaid plus the Interest Portion of Basic Rent accrued thereon to such Basic Rent Payment Date.

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

Assignment and Subleasing by the City

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

Events of Default

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

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

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

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

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

(e) Any provision of the Lease at any time for any reason ceases to be valid and binding on the City, or is declared null and void, or the validity or enforceability thereof is contested by the City or any governmental agency or authority if the loss of such provision would materially adversely affect the rights or security of the Trustee; or

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

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

Remedies on Default

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

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

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

limitation all expenses of taking possession, removing, storing, reconditioning, and selling or leasing or subleasing the Equipment and all brokerage, auctioneers and attorneys' fees and expenses);

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

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

APPENDIX D

FORM OF
CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

This **CONTINUING DISCLOSURE CERTIFICATE,** dated **May 20, 2009** (the **"Disclosure Agreement"**), is executed and delivered by **THE CITY OF LINCOLN, NEBRASKA** (the **"City"**).

RECITALS

1. This Disclosure Certificate is executed and delivered in connection with the issuance by **UNION BANK AND TRUST COMPANY**, as trustee (the **"Trustee"**) of **$2,500,000 Certificates of Participation, Series 2009,** Evidencing a Proportionate Interest in Basic Rent Payments to be Made by The City of Lincoln, Nebraska Pursuant to a Lease Purchase Agreement (the **"Certificates"**), pursuant to a Declaration of Trust dated **May 20, 2009** (the **"Declaration of Trust"**), .

2. The City is executing and delivering this Disclosure Certificate for the benefit of the Beneficial Owners of the Certificates and in order to assist the Participating Underwriters in complying with Rule 15c2-12 of the Securities and Exchange Commission (the **"Rule"**). The City is the only **"obligated person"** (as defined by the Rule) with responsibility for continuing disclosure.

In consideration of the mutual covenants and agreements herein, the City covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth in the Declaration of Trust, 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" means any Annual Report provided by the City pursuant to, and as described in, **Section 2** of this Disclosure Certificate.

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

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

"City" means **The City of Lincoln, Nebraska**, a city of the primary class and political subdivision of the State of Nebraska.

"Dissemination Agent" means the City, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City.

"EMMA" means the Electronic Municipal Market Access system for municipal securities disclosures.

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

"Material Events" means any of the events listed in **Section 3(a)** of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board.

"National Repository" means 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 A**. Annual Reports and notices of Material Events are not required to be filed with the National Repositories on or after July 1, 2009.

"Participating Underwriter" means any of the original underwriters of the Certificates required to comply with the Rule in connection with offering of the Certificates.

"Repository" means, until June 30, 2009, each National Repository, and on and after July 1, 2009, the MSRB.

"Rule" means 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.

Section 2. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than **May 1** of each year, beginning May 1, 2010, provide to each Repository the following financial information and operating data (the **"Annual Report"**):

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

(2) Updates as of the end of the Fiscal Year of certain financial information and operating data contained in the City's 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 with respect to which the City is an "obligated person" (as defined by the Rule), which have been provided to each Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so included by reference.

In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this **Section 2**; 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 Material Event under **Section 3(d)**.

(b) Not later than **15** Business Days prior to the date specified in **Section 3(a)** for providing the Annual Report to each Repository, the City shall either (1) provide the Annual Report to the Dissemination Agent, with written instructions to file the Annual Report as specified in **Section 3(a)**, or (2) provide written notice to the Dissemination Agent that the City has provided the Annual Report to each Repository.

(c) If the Dissemination Agent has not received either an Annual Report with filing instructions or a written notice from the City that it has provided an Annual Report to each Repository by the date required in **Section 3(b)**, the Dissemination Agent shall send a notice to each Repository in substantially the form attached as **Exhibit B**.

(d) The Dissemination Agent shall, unless the City has provided the Annual Report to each Repository, promptly following receipt of the Annual Report and instructions required in **Section 3(b)** above, provide the Annual Report to each Repository and file a report with the City and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided.

Section 3. Reporting of Material Events.

(a) Pursuant to the provisions of this **Section 3**, the City shall give, or cause to be given, to the Dissemination Agent notice of the occurrence of any of the following events with respect to the Certificates, if material (**"Material Events"**):

(1) principal and interest payment delinquencies;
(2) non-payment related defaults;
(3) unscheduled draws on debt service reserves reflecting financial difficulties;
(4) unscheduled draws on credit enhancements reflecting financial difficulties;
(5) substitution of credit or liquidity providers, or their failure to perform;
(6) adverse tax opinions or events affecting the tax-exempt status of the Certificates;
(7) modifications to rights of Certificate owners;
(8) optional, contingent or unscheduled Certificate calls;
(9) defeasances;
(10) release, substitution or sale of property securing repayment of the Certificates; or
(11) rating changes.

(b) The Dissemination Agent shall, promptly after obtaining actual knowledge of the occurrence of any event that it believes may constitute a Material Event, contact the Finance Director of the City or his or her designee or such other person as the City shall designate in writing to the Dissemination Agent from time to time, inform such person of the event, and request that the City promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to **Section 3(d)**. If in response to a request under this **Section 3(b)**, the City determines that such event would not be material under applicable federal securities laws, the City shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent whether or not to report the occurrence pursuant to **Section 3(d)**.

(c) Whenever the City obtains knowledge of the occurrence of a Material Event, because of a notice from the Dissemination Agent pursuant to **Section 3(b)** or otherwise, the City shall promptly notify and instruct the Dissemination Agent in writing to report the occurrence pursuant to **Section 3(d)**.

(d) If the Dissemination Agent receives written instructions from the City to report the occurrence of a Material Event, the Dissemination Agent shall promptly file a notice of such occurrence with each Repository, with a copy to the City. Notwithstanding the foregoing, notice of Material Events described in **Sections 3(a)(4)** and **(5)** need not be given under this **Section 3(d)** any earlier than the notice (if any) of the underlying event is given to the Registered Owners of affected Certificates pursuant to the Declaration of Trust.

Section 4. 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 Certificates. If the City's obligations under this Disclosure Certificate are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Certificate in the same manner as if it were the City, and the City shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Certificates, the City shall give notice of such termination or substitution in the same manner as for a Material Event under **Section 3(d)**.

Section 5. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign as dissemination agent hereunder at any time upon **30** days prior written notice to the City. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report (including without limitation the Annual Report) prepared by the City pursuant to this Disclosure Certificate. The initial Dissemination Agent is Union Bank and Trust Company.

Section 6. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City and the Dissemination Agent may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived, provided that Special Tax Counsel or other counsel experienced in federal securities law matters provides the City and the Dissemination Agent with its written opinion that the undertaking of the City contained herein, as so amended or after giving effect to such waiver, is in compliance with the Rule and all current amendments thereto and interpretations thereof that are applicable to this Disclosure Certificate.

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

Section 7. Additional Information. Nothing in this 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 Material 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 Material Event, in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report, as the case may be, or notice of occurrence of a Material Event.

Section 8. Default. In the event of a failure of the City or the Dissemination Agent to comply with any provision of this Disclosure Certificate, the Trustee may (and, at the request of any Participating Underwriter or the Registered Owners of at least **25%** aggregate principal amount of Outstanding Certificates, shall) take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City or the Dissemination Agent, 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 Declaration of Trust or the Lease Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the City or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

Section 9. Duties and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates. The City shall pay the fees, charges and expenses of the Dissemination Agent in connection with its administration of this Disclosure Certificate.

Section 10. Notices. Any notices or communications to or among any of the parties to this Disclosure Certificate may be given by registered or certified mail, return receipt requested, or by facsimile or by e-mail, receipt confirmed by telephone, or delivered in person or by overnight courier, and will be deemed given on the second day following the date on which the notice or communication is so mailed, as follows:

To the City: **The City of Lincoln, Nebraska**
555 South 10th Street
Lincoln, Nebraska 68508
Attention: Finance Director
Telephone/Fax: (402) 441-7412/(402) 441-8325
E-mail: dherz@ci.lincoln.ne.us

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Trustee, the Dissemination Agent, the Participating Underwriters, and Beneficial Owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Section 12. Severability. If any provision in this Disclosure Certificate, the Declaration of Trust, the Lease Agreement or the Certificates shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 13. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 14. Electronic Transactions. The arrangement described herein may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

Section 15. Governing Law. This Disclosure Certificate shall be governed by and construed in accordance with the laws of the State of Nebraska.

THE CITY OF LINCOLN, NEBRASKA

By: _____
Finance Director

EXHIBIT A

NATIONALLY RECOGNIZED MUNICIPAL SECURITIES INFORMATION REPOSITORIES
(in effect until June 30, 2009)

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, New Jersey 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
E-Mail: Munis@Bloomberg.com

Standard & Poor's Securities Evaluations, Inc.
55 Water Street, 45th Floor
New York, New York 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
E-mail: nrmsir_repository@sandp.com

FT Interactive Data
Attn: NRMSIR
100 William Street, 15th Floor
New York, New York 10038
Phone: (212) 771-6999 or (800) 689-8466
Fax: (212) 771-7390
E-Mail: NRMSIR@interactivedata.com

DPC Data Inc.
One Executive Drive
Fort Lee, New Jersey 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
E-Mail: nrmsir@dpcdata.com

MUNICIPAL SECURITIES RULEMAKING BOARD
(MSRB)

For all filings on or after July 1, 2009:

via EMMA
www.emma.msrb.org

EXHIBIT B

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: The City of Lincoln, Nebraska

Name of Certificate Issue: $2,500,000 Certificates of Participation, Series 2009

Date of Issuance: [Closing Date]

NOTICE IS HEREBY GIVEN that The City of Lincoln, Nebraska has not provided an Annual Report with respect to the above-named Certificates as required by the Disclosure Certificate dated [Closing Date], 2009. [The City has informed the Dissemination Agent that the City anticipates that the Annual Report will be filed by _____.]

Dated: _____ ___, _____.

THE CITY OF LINCOLN, NEBRASKA

APPENDIX E

BOOK-ENTRY SYSTEM

BOOK-ENTRY SYSTEM

The Series 2009 Certificates are available in book-entry form and beneficial ownership interests therein may be purchased in the principal amount of $5,000 or any integral multiple thereof. Purchasers of the Series 2009 Certificates will not receive certificates representing their interests in the Series 2009 Certificates.

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

DTC will act as securities depository for the Series 2009 Certificates. The Series 2009 Certificates will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Series 2009 Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants (**"Direct Participants"**) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (**"DTCC"**). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (**"NSCC**,**" "FICC**,**"** and **"EMCC**,**"** also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (**"Indirect Participants"**). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Series 2009 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2009 Certificates on DTC's records. The ownership interest of each actual purchaser of each Series 2009 Certificate (**"Beneficial Owner"**) is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction.

Transfers of ownership interests in the Series 2009 Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2009 Certificates, except in the event that use of the book-entry system for the Series 2009 Certificates is discontinued.

To facilitate subsequent transfers, all Series 2009 Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2009 Certificates with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2009 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2009 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2009 Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Series 2009 Certificate documents. For example, Beneficial Owners of the Series 2009 Certificates may wish to ascertain that the nominee holding the Series 2009 Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2009 Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2009 Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2009 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of principal or redemption price of and interest on the Series 2009 Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Registrar, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, its nominee, the Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal or redemption price of and interest on the Certificates to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Registrar. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2009 Certificates at any time by giving reasonable notice to the City or the Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2009 Certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2009 Certificates will be printed, registered in the name of DTC's partnership nominee, Cede & Co. (or such other name as may be requested by an authorized representative of DTC), and delivered to DTC (or a successor securities depository), to be held by it as securities depository for Direct Participants. If, however, the system of book-entry transfers has been discontinued and a Direct Participant has elected to withdraw its Series 2009 Certificates from DTC (or such successor securities depository), Series 2009 Certificates may be delivered to Beneficial Owners upon compliance with DTC's withdrawal procedures then in effect.

APPENDIX F

FORM OF OPINION OF SPECIAL TAX COUNSEL

May 20, 2009

The City of Lincoln, Nebraska
Lincoln, Nebraska

Union Bank and Trust Company, Trustee
Lincoln, Nebraska

D.A. Davidson & Co.
Omaha, Nebraska

Re: $2,500,000 Certificates of Participation, Series 2009, evidencing proportionate interests in Basic Rent Payments to be made by The City of Lincoln, Nebraska

Ladies and Gentlemen:

We have acted as special tax counsel in connection with a transaction involving the above-captioned Certificates of Participation (the "Certificates"), evidencing proportionate interests of the owners thereof in Basic Rent Payments to be made by The City of Lincoln, Nebraska (the "City") under a Lease Purchase Agreement, dated May 20, 2009 (the "Lease"), between Union Bank and Trust Company, a state banking corporation (the "Trustee"), and the City. Capitalized terms used herein and not otherwise defined herein will have the meanings assigned to such terms in the Lease.

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

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

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

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

2. The Certificates have been duly authorized, executed and delivered in accordance with the Declaration of Trust, are entitled to the benefits and security of the Declaration of Trust and evidence interests in the right to receive Basic Rent Payments under the Lease, which right to receive Basic Rent

Payments is enforceable against the City in accordance with the terms of the Certificates, the Declaration of Trust and the Lease.

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

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

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

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

Very truly yours,