

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

**RATINGS: Moody's: "Aaa"  
S&P: "AA+"  
See "RATINGS"**

*In the opinion of Gilmore & Bell, P.C., Special Tax Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), (a) the Interest Portion of Basic Rent Payments paid by the City and distributed to the registered owners of the Series 2012 Certificates is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, (b) the Interest Portion of Basic Rent Payments is exempt from Nebraska income taxation by the State of Nebraska, and (c) the Series 2012 Certificates have not been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. See "TAX MATTERS" in this Official Statement.*

**OFFICIAL STATEMENT**  
**\$10,000,000**  
**CERTIFICATES OF PARTICIPATION**  
**SERIES 2012**  
**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: June 1, as shown below**

The Series 2012 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 2012 Certificates. Purchases of the Series 2012 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 2012 Certificate purchases. So long as Cede & Co. is the registered owner of the Series 2012 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 2012 Certificates. Interest Portions of Basic Rent represented by the Series 2012 Certificates are payable semiannually on June 1 and December 1 of each year, to and including the date of maturity or prepayment, whichever is earlier, commencing on June 1, 2013.

The Series 2012 Certificates evidence the ownership of proportionate interests in, and rights to receive payments under, a Lease Purchase Agreement, dated November 18, 2010 (as amended and supplemented from time to time, including, without limitation, the First Lease Purchase Agreement Supplement, dated October 17, 2012, 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 2012 Certificates are executed and delivered pursuant to a Declaration of Trust, dated November 18, 2010 (as amended and supplemented from time to time, including, without limitation, the First Declaration of Trust Supplement, dated October 17, 2012, the "**Declaration of Trust**"), made by the Trustee. Neither the Series 2012 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 2012 Certificates or the Basic Rent Payments.

The Series 2012 Certificates are subject to optional prepayment prior to maturity as described herein. See "**THE SERIES 2012 CERTIFICATES OF PARTICIPATION - Prepayment.**"

The Series 2012 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 SCHEDULE – See Inside Cover**

*The Series 2012 Certificates are offered when, as and if executed and delivered by the Trustee, subject to the approval of their validity by Gilmore & Bell, P.C., Special Tax Counsel, as described herein. Certain legal matters will be passed upon for the City by Rodney C. Confer, City Attorney. It is expected that the Series 2012 Certificates in definitive form will be available for delivery at The Depository Trust Company in New York, New York, on or about October 17, 2012.*

**BofA MERRILL LYNCH**

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

The date of this Official Statement is October 2, 2012.

## MATURITY SCHEDULE

**\$10,000,000**  
**THE CITY OF LINCOLN, NEBRASKA**  
**CERTIFICATES OF PARTICIPATION**  
**SERIES 2012**

<b><u>Maturity</u></b> <b><u>(June 1)</u></b>	<b><u>Principal</u></b> <b><u>Amount*</u></b>	<b><u>Interest</u></b> <b><u>Rate</u></b>	<b><u>Yield</u></b>	<b><u>Price</u></b>	<b><u>CUSIP No.</u></b> <b><u>(534266)</u></b>
2013	\$ 485,000	3.00%	0.25%	101.708%	EV 9
2014	830,000	3.00	0.37	104.249	EW 7
2015	1,270,000	3.00	0.44	106.666	EX 5
2016	1,030,000	3.00	0.56	108.736	EY 3
2017	625,000	3.00	0.72	110.346	EZ 0
2018	625,000	3.00	0.92	111.370	FA 4
2019	635,000	3.00	1.21	111.357	FB 2
2020	645,000	3.00	1.51	110.688	FC 0
2021	660,000	3.00	1.75	109.962	FD 8
2022	670,000	3.00	1.95	109.170	FE 6
2023	480,000	3.00	2.12*	107.621	FF 3
2024	495,000	3.00	2.25*	106.454	FG 1
2025	505,000	3.00	2.37*	105.390	FH 9
2026	515,000	3.00	2.49*	104.338	FJ 5
2027	530,000	3.00	2.56*	103.729	FK 2

\*Yield to date of first optional redemption (June 1, 2022)

**THE CITY OF LINCOLN, NEBRASKA**

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

**MAYOR**

Christopher Beutler

**CITY COUNCIL**

Adam Hornung (Chair)

Jon Camp  
Eugene Carroll  
Jonathan Cook

Doug Emery  
Carl Eskridge  
DiAnna Schimek

**DEPARTMENT HEADS**

Steve Hubka ..... Interim Finance Director  
Marvin Krout ..... Planning Director  
Lynn Johnson ..... Parks and Recreation Director  
Kevin Wailes ..... LES Administrator and CEO  
David Landis ..... Urban Development Director  
Pat Leach ..... Library Director  
Miki Esposito ..... Public Works and Utilities Director  
Thomas Casady ..... Public Safety Director  
Jim Peschong ..... Police Chief  
John Huff ..... Fire Chief  
Judith A. Halstead ..... Health Director  
Douglas J. McDaniel ..... Personnel Director  
Fred Hoke ..... Building and Safety Director  
Rodney C. Confer ..... City Attorney

Peggy Tharnish, City Controller

**SPECIAL TAX COUNSEL**

Gilmore & Bell, P.C.  
Lincoln, Nebraska

**LESSOR AND TRUSTEE**

Union Bank and Trust Company  
Lincoln, Nebraska

**UNDERWRITER**

BofA Merrill Lynch  
New York, New York

**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 2012 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 2012 Certificates by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been furnished by the City and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, by the Underwriter. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.**

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**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2012 CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

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**THE SERIES 2012 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 2012 CERTIFICATES ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION.**

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**TABLE OF CONTENTS**

	<b>Page</b>
INTRODUCTION .....	1
Purpose of the Official Statement .....	1
The City .....	1
Plan of Financing .....	1
The Financing Documents .....	2
Financial Statements .....	2
Continuing Disclosure .....	3
Definitions and Descriptions; Inspection of Documents .....	3
THE SERIES 2012 CERTIFICATES OF PARTICIPATION.....	3
General Provisions .....	3
Payment of Basic Rent and Prepayment Price.....	3
Transfer and Exchange .....	4
Prepayment .....	5
Book-Entry Only System.....	6
SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 CERTIFICATES.....	6
NEBRASKA LAWS RELATED TO BUDGETS AND TAXATION.....	7
ADDITIONAL CERTIFICATES .....	7
THE TRUSTEE .....	7
RISK FACTORS .....	8
Inability to Liquidate.....	8
Effects on the Tax Exemption of the Series 2012 Certificates Upon a Termination .....	8
THE 2012 PROJECT .....	8
Description of the 2012 Project .....	8
ESTIMATED SOURCES AND USES OF FUNDS .....	9
SCHEDULE OF LEASE PAYMENTS.....	10
SUMMARY OF THE LEGAL DOCUMENTS .....	10
CONTINUING DISCLOSURE.....	10
Annual Reports .....	11
Material Event Notices .....	11
Electronic Municipal Market Access System (EMMA).....	12
RATINGS .....	12
LITIGATION.....	13
TAX MATTERS.....	13
Opinion of Special Tax Counsel .....	13
Other Tax Consequences .....	14
LEGAL MATTERS.....	15
ADDITIONAL INFORMATION.....	15
APPENDIX A – THE CITY OF LINCOLN, NEBRASKA	
APPENDIX B – FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR ENDED AUGUST 31, 2011, TOGETHER WITH AUDITORS’ REPORT THEREON	
APPENDIX C – DEFINITIONS AND SUMMARIES OF CERTAIN PRINCIPAL DOCUMENTS	
APPENDIX D – BOOK-ENTRY SYSTEM	
APPENDIX E – FORM OF OPINION OF SPECIAL TAX COUNSEL	

## OFFICIAL STATEMENT

**\$10,000,000**  
**CERTIFICATES OF PARTICIPATION**  
**SERIES 2012**  
**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 \$10,000,000 (the **“Series 2012 Certificates”**), representing the proportionate interests of the owners thereof (the **“Certificate Owners”**) in basic rent payments (the **“Basic Rent Payments”**) to be made by The City of Lincoln, Nebraska (the **“City”**), as the rental payments and purchase price of the interest of Union Bank and Trust Company, a state banking corporation, as lessor (the **“Trustee”**), in the hereinafter defined Project, pursuant to a Lease Purchase Agreement, dated November 18, 2010 (as amended and supplemented from time to time, including, without limitation, the First Lease Purchase Agreement Supplement, dated October 17, 2012, the **“Lease”**), entered into between the Trustee and the City, as lessee. In connection with the execution and delivery of the Lease, the City, as lessor, and the Trustee have entered into a Site Lease, dated November 18, 2010 (the **“Site Lease”**), pursuant to which the Trustee has acquired an interest in the real property on which a portion of the Project (hereinafter defined) is and will be located. See **“THE PROJECT.”**

#### **The City**

The City is a city of the primary class and political subdivision organized and existing under the laws of the State of Nebraska. The City is located in the geographic center of Lancaster County, Nebraska, and is the state capital, as well as the county seat. See **“APPENDIX A: THE CITY”** and **“APPENDIX B: FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED AUGUST 31, 2011, TOGETHER WITH AUDITOR’S REPORT THEREON.”**

#### **Plan of Financing**

On November 18, 2010, \$7,780,000 principal amount of Certificates of Participation, Series 2010B (the **“Series 2010 Certificates”**) were issued pursuant to a Declaration of Trust, dated November 18, 2010 (as amended and supplemented from time to time, including, without limitation, the First Declaration of Trust Supplement, dated October 17, 2012, the **“Declaration of Trust”**), made by the Trustee. The proceeds of the Series 2010 Certificates were used to (a) acquire the real property located at 901 West Bond Street and 949 West Bond Street in the City and the buildings and facilities located thereon, (b) remodel, renovate,

equip and furnish such buildings and facilities (collectively, the “**2010 Project**”), and (c) pay certain costs related to the execution and delivery of the Series 2010 Certificates. The proceeds of the Series 2012 Certificates will be used to provide additional funds to (A) pay the costs of (i) acquiring and installing new street light poles and related equipment (collectively, the “**Street Lights**”) to adequately light certain of the City’s streets, (ii) acquiring, installing and implementing new electronic communication equipment and related software (collectively, the “**Communication Equipment**”) to be used by the City and The County of Lancaster, Nebraska (the “**County**”), and (iii) remodel, renovate, equip and furnish additional portions of the 2010 Project (collectively, the “**2012 Project**”), and (B) pay certain costs in connection with the issuance of the Series 2012 Certificates.

Pursuant to the terms and conditions of the Lease and the Declaration of Trust, made by the Trustee, the Trustee and the City have agreed that the Trustee will pay, from proceeds of the sale of the Series 2012 Certificates, the cost of the 2012 Project. The 2010 Project and the 2012 Project are referred to collectively as the “**Project**.”

The Series 2012 Certificates are payable solely from the Basic Rent Payments to be paid by the City under the Lease and, to the extent received by the Trustee, net proceeds of certain insurance policies, condemnation awards or proceeds from the liquidation of interests in the Project. The City and the County will enter in to a Sublease Agreement, dated October 17, 2012 (the “**Sublease**”), pursuant to which the County will lease from the City a portion of the Communications Equipment and will pay a proportionate share of Basic Rent Payments under the Lease to the City. While the City anticipates using such payments by the County to make Basic Rent Payments with respect to the 2012 Certificates, the City’s obligation to pay Basic Rent Payment in full and when due is not contingent upon receipt of any funds from the County.

### **The Financing Documents**

The Trustee will lease the Project, with the option to purchase, to the City pursuant to the Lease. The Lease provides, among other things, for a term that commences on the date of delivery (November 18, 2010) of the Series 2010 Certificates, and ends on June 1, 2027, the date of the final maturity of the Series 2012 Certificates. The City is authorized to enter into the Lease pursuant to (a) Ordinance No. 19641, passed by the Council on October 25, 2010 and approved by the Mayor on October 28, 2010, and (b) Ordinance No. 19759, passed by the Council on August 13, 2012 approved by the Mayor on August 16, 2012 (collectively, the “**Ordinance**”).

The Series 2012 Certificates are being executed and delivered pursuant to the Declaration of Trust. Neither the Series 2012 Certificates nor the Basic Rent Payments are obligations of the Trustee, and the Trustee has no liability or obligation under or with respect to the Series 2012 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, 2011, are included in *Appendix B* hereto. The financial statements in *Appendix B* have been audited by BKD, LLP, independent auditors, whose report thereon is also included in *Appendix B* hereto. The City did not request BKD, LLP to perform any updating procedures subsequent to the date of its audit report on the August 31, 2011 financial statements.

## **Continuing Disclosure**

The City agrees in a Continuing Disclosure Undertaking, dated the date of delivery (the “**Disclosure Undertaking**”), to provide certain annual financial information and operating data relating to the City by not later than May 1 of each year (the “**Annual Report**”), commencing May 1, 2013, and to provide notices of the occurrence of certain enumerated events, if deemed by the City to be material. See “**CONTINUING DISCLOSURE.**”

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

Certain capitalized terms used in this Official Statement and not otherwise defined herein shall have the meanings given to such terms in **APPENDIX C: “DEFINITIONS AND SUMMARIES OF CERTAIN PRINCIPAL DOCUMENTS.”** Summaries of the Site Lease, the Lease and the Declaration of Trust are also included in *Appendix C*. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Site Lease, the Lease and the Declaration of Trust are qualified in their entirety by reference to such documents, copies of which may be viewed at the principal corporate office of the City’s Financial Advisor, Ameritas Investment Corp., 5900 “O” Street, Lincoln, Nebraska, 68510, or will be provided by the Financial Advisor to any prospective purchaser requesting the same, upon payment by such prospective purchaser of the cost of complying with such request. All references to the Series 2012 Certificates are qualified in their entirety by the definitive terms thereof and the information with respect thereto included in the Site Lease, the Lease and the Declaration of Trust. Information concerning the City has been supplied by the City, and has not been verified by the Trustee, and the Trustee makes no representation or warranty, express or implied, as to the accuracy or completeness of such information.

## **THE SERIES 2012 CERTIFICATES OF PARTICIPATION**

### **General Provisions**

The Series 2012 Certificates are dated the date of delivery thereof, and will mature on June 1, in the amounts and in the years stated on the cover page hereof unless prepaid prior thereto.

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

The Series 2012 Certificates will be delivered in the denomination of \$5,000 each or any integral multiple thereof in book-entry form. Purchases of the Series 2012 Certificates will be made in book-entry only form in the denomination of \$5,000 or any integral multiple thereof. Purchasers of the Series 2012 Certificates will not receive certificates representing their interests in the Series 2012 Certificates purchased. Each Series 2012 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 2012 Certificate Owners. Principal Portions of Basic Rent will be payable on June 1 of each year beginning June 1, 2013. Interest Portions of Basic Rent shall be payable semiannually on June 1 and December 1 of each year, beginning on June 1, 2013, 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 2012 Certificates.

While the Series 2012 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 2012 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 2012 Certificates.

Interest Portions of Basic Rent represented by the Series 2012 Certificates shall be payable by check or draft of the Trustee mailed to the Series 2012 Certificate Owners at the address of each Series 2012 Certificate Owner shown on the registration books maintained by the Trustee as of the close of business on the fifteenth day of the month next preceding the month in which each Interest Payment Date occurs (the “**Record Date**”), or at the written request of any Owner of Series 2012 Certificates in the aggregate Principal Portion of at least \$500,000, by electronic transfer to the bank for credit to the ABA routing number and account number filed with the Trustee no later than 15 days prior to the record date.

The Principal Portion of the Basic Rent or Prepayment Price represented by the Series 2012 Certificates will be payable (whether at maturity or upon prepayment or acceleration) by check or draft to the Owners of such Series 2012 Certificates upon presentation and surrender of such Series 2012 Certificates at the designated corporate trust office of the Trustee.

### **Transfer and Exchange**

While the Series 2012 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 2012 Certificates, transfers may be effected as described below.

Books for the registration and transfer of the Series 2012 Certificates are to be kept by the Trustee, as registrar (the “**Registrar**”). Upon surrender for transfer of any Series 2012 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 2012 Certificate of the same maturity or maturities, interest rate and tenor as the Series 2012 Certificates surrendered. Series 2012 Certificates may be exchanged at the principal payment office of the Trustee for an equal aggregate principal amount of Series 2012 Certificates of the same maturity or maturities, interest rate and tenor as the Series 2012 Certificates surrendered. All Series 2012 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 2012 Certificate after such Series 2012 Certificate has been called for prepayment.

The person in whose name any Series 2012 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 2012 Certificate will be made only to or upon the written order of the registered owner thereof or his legal representative.

The Series 2012 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 2012 Certificates may be transferred at the principal payment office of the Trustee. Series 2012 Certificates may be exchanged for Series 2012 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 2012 Certificates, the Trustee shall make a charge to the Series 2012 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 2012 Certificates maturing on June 1, 2023, and thereafter are subject to optional prepayment, as a whole or in part, at any time on or after June 1, 2022, 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 2012 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 2012 Certificates to be prepaid. Such notice shall also state that the Interest Portion of the Basic Rent represented by the Series 2012 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 2012 Certificates.

So long as the book-entry only system is used for the Series 2012 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 2012 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 2012 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 2012 Certificates being held by the Trustee, on the prepayment date designated in such notice, the Series 2012 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 2012 Certificates so called for prepayment shall cease to accrue, said Series 2012 Certificates shall cease to be entitled to any benefit or security under the Declaration of Trust and the Owners of such Series 2012 Certificates shall have no rights in respect thereof except to receive payment of the prepayment price.

## **Book-Entry Only System**

***General.*** The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2012 Certificates. The ownership of one fully registered Series 2012 Certificate for each maturity, as set forth on the cover of this Official Statement, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as the nominee for DTC. Ownership interests in the Series 2012 Certificates will be available to purchasers only through a book-entry system maintained by DTC (the **“Book-Entry System”**). A description of DTC, the Book-Entry System and definitions of initially capitalized terms used herein are found in **APPENDIX D: “BOOK-ENTRY SYSTEM”** to this Official Statement.

**Risk Factors.** Beneficial Owners of the Series 2012 Certificates may experience some delay in their receipt of distributions of the principal or redemption price of and interest on the Series 2012 Certificates because such distributions will be forwarded by the Registrar to DTC, credited by DTC to its Direct Participants, and then credited to the accounts of the Beneficial Owners either directly or indirectly through Indirect Participants.

Because transactions in the Series 2012 Certificates can only be effected through DTC, DTC Participants and certain banks, the ability of a Beneficial Owner to pledge Series 2012 Certificates to persons or entities that do not participate in the Book-Entry System, or otherwise to take actions in respect of such Series 2012 Certificates, may be limited due to the lack of physical certificates. Beneficial Owners will not be recognized by the Registrar as registered owners for purposes of the Ordinance, and Beneficial Owners will be permitted to exercise the rights of registered owners only indirectly through DTC and DTC Participants.

### **SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 CERTIFICATES**

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

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

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

For the 2012-2013 fiscal year, the City was permitted to increase its appropriation of restricted funds under the Budget Limitations by 3.50%. Unused restricted fund authority from prior years can be carried over into future fiscal years to use in addition to the annual increases allowed. As of August 31, 2012, the City had accumulated \$9,818,451 of unused restricted funds authority which would be available for future fiscal years.

The Legislature has also enacted Section 77-3442, Reissue Revised Statutes of Nebraska, as amended, and related sections (collectively, the “**Levy Limitations**”), to provide overall limitations on the property tax levies of political subdivisions, including the City. The Levy Limitations expressly exclude any property taxes levied for bonded indebtedness. The maximum levy for the City is presently set at 45¢ per \$100 of taxable valuation with an additional 5¢ per \$100 of taxable valuation available to provide for the City’s share of revenue required under any agreement executed by the City with another governmental unit pursuant to the Interlocal Cooperation Act or the Joint Public Agency Act. The City’s current levy (excluding its bond levy) is 28.32¢ per \$100 of taxable valuation on all the taxable property within the City.

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

#### **ADDITIONAL CERTIFICATES**

The Trustee may, at any time upon compliance with certain terms and conditions set forth in the Declaration of Trust, deliver Additional Certificates for any purpose specified in the Declaration of Trust. Any Additional Certificates will be equally and ratably secured by the Declaration of Trust on a parity with the Series 2010 Certificates and the Series 2012 Certificates. Concurrently with the delivery of any such Additional Certificates, the Trustee and the City shall deliver an amendment to the Lease obligating the City to make payments of principal thereof and interest thereon in amounts and at times sufficient to provide for the timely payment of principal of and interest on such Additional Certificates. See “**APPENDIX C: DEFINITIONS AND SUMMARIES OF CERTAIN PRINCIPAL DOCUMENTS - DECLARATION OF TRUST - Additional Certificates.**”

#### **THE TRUSTEE**

The Trustee is not liable for the payment of Basic Rent Payments, and the Owners have no right to look to the Trustee for any payments of the Series 2012 Certificates or for any other payments other than from funds held under the Declaration of Trust.

*[The remainder of this page intentionally left blank]*

## RISK FACTORS

### Inability to Liquidate

The enforceability of the Series 2012 Certificates and the Lease is subject to applicable bankruptcy laws, equitable principles affecting the enforcement of creditors rights generally and liens securing such rights, and the police powers of the State and its political subdivisions. Because of the delays inherent in obtaining the remedies involving such property, a potential purchaser of the Series 2012 Certificates should not anticipate that remedies could be accomplished rapidly, if at all. Any delays in the ability of the Trustee to exercise its remedies under the Lease or the Declaration of Trust may result in the payment of the Series 2012 Certificates or nonpayment of the Series 2012 Certificates after expenditures of any amount on deposit in the Reserve Fund.

### Effects on the Tax Exemption of the Series 2012 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, as amended, to any Series 2012 Certificates in the event of a termination of the Lease by reason of an Event of Default. If the Lease is terminated by reason of such event, there is no assurance that the Series 2012 Certificates may be transferred by an Owner thereof without compliance with the registration provisions of the Securities Act of 1933, as amended, or the availability of an exemption therefrom.

Special Tax Counsel expresses no opinion as to the treatment for federal income tax purposes of any moneys received by a Registered Owner of the Series 2012 Certificates other than payments by the City made pursuant to the Lease, upon an Event of Default. There is no assurance that such moneys received by the Registered Owners of the Series 2012 Certificates in such event will be excludable from gross income for federal income tax purposes.

## THE 2012 PROJECT

### Description of the 2012 Project

The 2012 Project consists of:

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

(b) ***Communication Equipment*** – The City and County will be installing a Voice Over Internet Protocol (VOIP) communications system. The project will consist of 2,431 VOIP phones, 14 conference rooms equipped with video conferencing capabilities, 167 VOIP fax lines, 127 VOIP alarm lines and updated courtroom technologies, all utilizing state of the art features provided by such a system. The system will be managed and maintained in-house by City County Information Services personnel and produce a net savings of about \$450,000 per year by reducing payments to a local landline company.

(c) ***MSC Project*** – remodeling, renovating, equipping and furnishing buildings and facilities for Phase II tenants located at 901 West Bond Street and 949 West Bond Street previously acquired by the City for use as a City of Lincoln Municipal Services Center. Tenants included in Phase II include the Public Works Department Street Maintenance/West District, traffic and sign shop, fleet services for all departments and Parks and Recreation Central District and forestry operations. The purpose of the project

is to consolidate city functions to achieve operating efficiencies, eliminate rental payments and operating costs in other facilities, and make locations where city facilities currently exist available for redevelopment.

### ESTIMATED SOURCES AND USES OF FUNDS

The sources and application of funds in connection with the execution of the Series 2012 Certificates, exclusive of accrued interest, are estimated, based upon certain assumptions regarding the investment of such funds, as follows:

**Sources of Funds:**

Series 2012 Certificate Proceeds	\$10,000,000.00
Plus: Net Original Issue Premium	<u>760,009.25</u>
Total Sources of Funds	<u>\$10,760,009.25</u>

**Applications of Funds:**

Street Light Costs	\$2,596,000.00
Communication Equipment Costs	1,986,717.00
MSC Project Costs	6,000,000.00
Costs of Issuance*	<u>177,292.25</u>
Total Applications of Funds	<u>\$10,760,009.25</u>

\*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 2010 and the Series 2012 Certificates:

<b>Year ending August 31</b>	<b>Series 2010 Certificates</b>	<b>Series 2012 Certificates</b>			<b>Grand Total</b>
		<b>Principal Portion</b>	<b>Interest Portion</b>	<b>Total</b>	
2013	\$700,758.76	\$ 485,000.00	\$186,666.67	\$ 671,666.67	\$1,372,425.43
2014	695,808.76	830,000.00	285,450.00	1,115,450.00	1,811,258.76
2015	690,758.76	1,270,000.00	260,550.00	1,530,550.00	2,221,308.76
2016	685,608.76	1,030,000.00	222,450.00	1,252,450.00	1,938,058.76
2017	685,308.76	625,000.00	191,550.00	816,550.00	1,501,858.76
2018	679,202.51	625,000.00	172,800.00	797,800.00	1,477,002.51
2019	681,546.26	635,000.00	154,050.00	789,050.00	1,470,596.26
2020	677,233.76	645,000.00	135,000.00	780,000.00	1,457,233.76
2021	676,196.26	660,000.00	115,650.00	775,650.00	1,451,846.26
2020	673,658.76	670,000.00	95,850.00	765,850.00	1,439,508.76
2023	670,076.26	480,000.00	75,750.00	555,750.00	1,225,826.26
2024	670,178.13	495,000.00	61,350.00	556,350.00	1,226,528.13
2025	663,775.00	505,000.00	46,500.00	551,500.00	1,215,275.00
2026	661,375.00	515,000.00	31,350.00	546,350.00	1,207,725.00
2027	---	530,000.00	15,900.00	545,900.00	545,900.00
<b>TOTAL</b>	<b><u>\$9,511,485.74</u></b>	<b><u>\$10,000,000.00</u></b>	<b><u>\$2,050,866.67</u></b>	<b><u>\$12,050,866.67</u></b>	<b><u>\$21,562,352.41</u></b>

## SUMMARY OF THE LEGAL DOCUMENTS

Attached hereto as *Appendix C* are summaries of certain provisions of the Site Lease, the Lease and the Declaration of Trust as well as certain defined terms used therein. The summaries do not purport to be complete, and reference is made to the full text of the Site Lease, the Lease and the Declaration of Trust, respectively, for a complete recital of their terms, as well as a complete recital of the defined terms used therein. Copies of all documents relating to the Series 2012 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 2012 Certificates or to any decision to purchase, hold or sell the Series 2012 Certificates, and the City will not provide any such information. The City has no responsibility to any person with respect to the provision of any information about the Trustee.

The City is executing and delivering the Continuing Disclosure Undertaking for the benefit of the owners and Beneficial Owners of the Series 2012 Certificates and in order to assist the Underwriter in complying with Rule 15c2-12 of the Securities and Exchange Commission (the “**Rule**”). The City is the only “obligated person” within the meaning of the Rule with responsibility for continuing disclosure. The City is current in its continuing disclosure reporting and is in compliance with all prior undertakings.

**Annual Reports.** Pursuant to the Continuing Disclosure Undertaking, the City shall, not later than **May 1** of each year, beginning May 1, 2013, provide to the Municipal Securities Rulemaking Board (“**MSRB**”) the following financial information and operating data (the “**Annual Report**”):

(a) The audited financial statements of the City for the prior fiscal year, prepared in accordance with generally accepted accounting principles. If audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement relating to the Series 2012 Certificates, and the audited financial statements shall be filed in the same manner as the Annual Report promptly after they become available.

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

**Material Event Notices.** Pursuant to the Continuing Disclosure Undertaking, not later than 10 business days after the occurrence of any of the following events, the City shall also give, or cause a dissemination agent to give, notice of the occurrence of any of the following events with respect to the Series 2012 Certificates (“**Material Events**”):

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions; the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2012 Certificates, or other material events affecting the tax status of the Series 2012 Certificates;
- (7) modifications to rights of owners of the Series 2012 Certificates, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Series 2012 Certificates, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the City;
- (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) appointment of a successor or additional trustee or the change of name of the trustee, if material.

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

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

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

In the event of a failure of the City or any dissemination agent to comply with any provision of the Continuing Disclosure Undertaking, any owner or Beneficial Owner of the Series 2012 Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or any dissemination agent, as the case may be, to comply with its obligations under the Continuing Disclosure Undertaking. A default under the Continuing Disclosure Undertaking shall not be deemed an event of default under the Ordinance, and the sole remedy under the Continuing Disclosure Undertaking in the event of any failure of the City or any dissemination agent to comply with the Continuing Disclosure Undertaking shall be an action to compel performance.

***Electronic Municipal Market Access System (EMMA).*** All Annual Reports and notices of Material Events required to be filed by the City or the dissemination agent pursuant to the Continuing Disclosure Undertaking must be submitted to the MSRB through the MSRB's Electronic Municipal Market Access system ("EMMA"). EMMA is an internet-based, online portal for free investor access to municipal bond information, including offering documents, material event notices, real-time municipal securities trade prices and MSRB education resources, available at [www.emma.msrb.org](http://www.emma.msrb.org). Nothing contained on EMMA relating to the City or the Series 2012 Certificates is incorporated by reference in this Official Statement.

## RATINGS

Moody's Investors Service has assigned the Series 2012 Certificates the rating of "Aaa," and Standard & Poor's has assigned the Series 2012 Certificates the rating of "AA+." Such ratings reflect only the views of such organizations, and an explanation of the significance of such ratings may be obtained from Moody's Investors Service, 7 World Trade Center, 350 Greenwich Street, 23<sup>rd</sup> Floor, New York, New York 10007, telephone (212) 553-0300, and Standard & Poor's Ratings Services, 55 Water Street, New York, New York, 10041, telephone (212) 438-2124.

Generally, rating agencies base their ratings on such information and materials and investigations, studies and assumptions furnished to and obtained and made by the rating agencies. The debt ratings are not a recommendation to purchase, sell or hold a security, inasmuch as they do not comment as to market price or suitability for a particular investor. There is no assurance that the above ratings will remain for any given period of time or that they may not be lowered, suspended or withdrawn entirely by either or both rating services if they deem circumstances are appropriate. Any downward change in, suspension or

withdrawal of either or both ratings may have an adverse effect on the market price of the Series 2012 Certificates.

## LITIGATION

The Transcript of Proceedings will contain a certificate of non-litigation dated as of the closing date and executed by the City to the effect that there is no controversy, suit or proceeding of any kind pending or, to the knowledge of the City, threatened wherein or whereby any question is raised, or may be raised, questioning, disputing or affecting in any way the legal organization of the City, or the legality of any official act shown to have been done regarding the execution and delivery of the Lease or the Series 2012 Certificates or the constitutionality or validity of the obligation represented by the Series 2012 Certificates or the means provided for the Basic Rent Payments under the Lease.

## TAX MATTERS

The following is a summary of the material federal and State of Nebraska income tax consequences of holding and disposing of the Series 2012 Certificates. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of owners subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the Series 2012 Certificates as a capital asset, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, and foreign taxpayers), and, except for the income tax laws of the State of Nebraska, does not discuss the consequences to an owner under any state, local or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the Series 2012 Certificates in the secondary market. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Series 2012 Certificates.

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

In the opinion of Gilmore & Bell, P.C., Special Tax Counsel, under the law existing as of the issue date of the Series 2012 Certificates:

***Federal and Nebraska Tax Exemption.*** The Interest Portion of Basic Rent Payments paid by the City and distributed to the registered owners of the Series 2012 Certificates (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is exempt from income taxation by the State of Nebraska.

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

***Bank Qualification.*** The Series 2012 Certificates have not been designated as “qualified tax-exempt obligations” for purposes of Section 265(b) of the Code.

Special Tax Counsel’s opinions are provided as of the date of the original issue of the Series 2012 Certificates, subject to the condition that the City comply with all requirements of the Code that must be

satisfied subsequent to the issuance of the Series 2012 Certificates in order that Interest Portion of Basic Rental Payments be, or continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of Interest Portion of Basic Rental Payments in gross income for federal and Nebraska income tax purposes retroactive to the date of issuance of the Series 2012 Certificates. Special Tax Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Series 2012 Certificates but has reviewed the discussion under “**TAX MATTERS.**”

### **Other Tax Consequences**

***Original Issue Premium.*** If a Series 2012 Certificate is issued at a price that exceeds the stated redemption price at maturity of the Series 2012 Certificate, the excess of the purchase price over the stated redemption price at maturity constitutes “premium” on that Series 2012 Certificate. Under Section 171 of the Code, the purchaser of that Series 2012 Certificate must amortize the premium over the term of the Series 2012 Certificate using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the owner’s basis in the Series 2012 Certificate and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the Series 2012 Certificate prior to its maturity. Even though the owner’s basis is reduced, no federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of premium.

***Sale, Exchange or Retirement of Series 2012 Certificate.*** Upon the sale, exchange or retirement (including redemption) of a Series 2012 Certificate, an owner of the Series 2012 Certificate generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale, exchange or retirement of the Series 2012 Certificate (other than in respect of accrued and unpaid interest) and such owner’s adjusted tax basis in the Series 2012 Certificate. To the extent a Series 2012 Certificate is held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the Series 2012 Certificate has been held for more than 12 months at the time of sale, exchange or retirement.

***Reporting Requirements.*** In general, information reporting requirements will apply to certain payments of principal, interest and premium paid on the Series 2012 Certificates, and to the proceeds paid on the sale of the Series 2012 Certificates, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner’s federal income tax liability.

***Collateral Federal Income Tax Consequences.*** Prospective purchasers of the Series 2012 Certificates should be aware that ownership of the Series 2012 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 2012 Certificates. Special Tax Counsel expresses no opinion regarding these tax consequences. Purchasers of Series 2012 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 2012 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 2012 Certificates are subject to the approval of legality by Special Tax Counsel. Special Tax Counsel has participated in the preparation of this Official Statement but the factual and financial information appearing herein has been supplied or reviewed by the City, its officials and counsel. Certain legal matters will be passed upon for the City by its counsel, Rodney C. Confer, City Attorney, Lincoln, Nebraska.

## **ADDITIONAL INFORMATION**

Additional information with respect to the City and the Series 2012 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 2012 Certificate Owners.

This Official Statement has been approved by the City and is submitted only in connection with the sale of the Series 2012 Certificates and may not be reproduced or used in whole or in part for any other purpose.

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

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

**APPENDIX A**

**THE CITY OF LINCOLN, NEBRASKA**

## THE CITY OF LINCOLN

### **General**

Lincoln, the capital of Nebraska, is located in southeastern Nebraska near the center of population of the state. The City was originally incorporated in 1869. It is approximately midway between Chicago and Denver. It has an area of 90.85 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.

### **Population**

The 1980 population of the City was 171,932; the 1990 population was 191,972; the 2000 population was 225,588; and the 2010 population was 258,379, a 14.5 percent increase over the 2000 count. The 2010 count represents 90.5 percent of the population of Lancaster County, the county in which the City is located.

### **City Government**

The City, operating under a home rule charter, has a mayor-council form of government with an elected full-time chief executive, the Mayor, and an elected legislative body, the Council, composed of seven members. Three are elected at large and four by district on a nonpartisan basis for a term of four years. The administration of City government is performed under the direction of the Mayor by administrative departments.

City government has a broad range of responsibilities, including electric, water, and sanitary sewer systems, and an impressive park and playground system of over 6,503 acres maintained for public use, nine public swimming pools, and five public golf courses. The City has cooperated actively with the county government in several joint governmental buildings, and in other specific areas of responsibility, including health, planning, civil defense, data processing, tax collection, parks, and jail facilities. There are cooperative agreements with the United States government on parks and flood control, with the University of Nebraska on planning and property transfer, with the area Watershed District on flood control, and with the Lincoln School District on recreation.

### **Transportation**

The Lincoln metropolitan area is served by Interstate 80, and U.S. Highways 2, 6, 34, and 77.

Lincoln is served by two commercial airports with daily shuttle service available between locations. The Lincoln Municipal Airport is located less than 10 minutes from downtown and has daily departures to Chicago, Denver, Detroit, and Minneapolis. Eppley Airfield, located in east Omaha, is 65 minutes from downtown Lincoln and offers service from multiple airlines. Together the two airports offer more than 100 arrivals and departures daily. The Lincoln Municipal Airport also offers General Aviation services. The General Aviation runway is 8,649 feet long, and the runway is lit dusk to dawn.

Railroad transportation facilities include those of Burlington Northern/Santa Fe, Union Pacific, and AMTRAK. Ground transportation is furnished by Greyhound/Black Hills 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), 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 24,000 students, Nebraska Wesleyan University, with approximately 2,100 students, Union College, with approximately 900 students, Kaplan University, with approximately 930 students and Southeast Community College, with approximately 10,300 students and with a number of facilities for both full-time and part-time occupational training, are located in the City of Lincoln. The City's modern and progressive school system, with an enrollment of over 35,000 is served by 6 high schools, 11 middle schools, and 37 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 Christians.

## Building Permits and Property Values

### LAST TEN YEARS

FISCAL YEAR	COMMERCIAL 1 CONSTRUCTION		RESIDENTIAL 1 CONSTRUCTION		PROPERTY VALUE 2		TOTALS
	# PERMITS	VALUE	# PERMITS	VALUE	COMMERCIAL	RESIDENTIAL	
2011	1,320	\$ 223,215,672	2,336	\$ 155,181,140	\$ 4,477,256,519	\$ 10,648,151,681	\$ 15,125,408,200
2010	1,234	241,509,266	2,225	116,914,465	4,438,463,100	10,546,474,527	14,984,937,627
2009	1,196	199,331,086	1,794	104,316,385	4,382,749,195	10,839,440,027	15,222,189,222
2008	1,064	274,267,477	2,261	149,678,215	4,246,365,596	10,723,170,809	14,969,536,405
2007	994	293,968,408	2,820	202,786,768	4,236,340,817	10,402,515,684	14,638,856,501
2006	1,088	263,006,153	3,150	195,885,622	3,814,534,869	9,083,290,211	12,897,825,080
2005	1,092	204,677,969	3,387	277,158,200	3,694,097,147	8,727,702,573	12,421,799,720
2004	1,061	258,670,339	3,846	321,126,701	3,598,787,015	8,402,403,364	12,001,190,379
2003	1,036	269,298,229	3,913	315,662,242	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

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

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

## Police and Fire Protection

Lincoln has fourteen fire stations manned by 283 firefighters and three police stations with 321 police officers.

## City Employee Information

For the 2011-2012 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. All contracts expire at the end of August, 2012.

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 Public Association of Government Employees.

## SELECTED ECONOMIC INDICATORS

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

	MAY 31, 2011		NOVEMBER 30, 2011	
	Number Employed	Percent of Total	Number Employed	Percent of Total
Industry Manufacturing:				
Durable Goods	8,130	4.6	8,064	4.5
Nondurable Goods	4,833	2.8	4,768	2.7
Total Industry Manufacturing	12,963	7.4	12,832	7.2
Nonmanufacturing:				
Natural Resource & Construction	6,621	3.8	6,493	3.7
Transportation, Communications & Utilities	10,491	6.0	10,711	6.0
Wholesale Trade	4,028	2.3	4,150	2.3
Retail Trade	18,370	10.5	19,346	10.9
Information	2,130	1.2	2,184	1.3
Finance, Insurance & Real Estate	13,327	7.6	13,354	7.5
Services (except domestic)	67,979	38.8	69,100	39.1
Government	39,201	22.4	38,948	22.0
Total Nonmanufacturing	162,147	92.6	164,286	92.8
TOTAL	175,110	100.0	177,118	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 2011-2002) (For the Calendar Year Indicated)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Civilian Labor Force	160,683	157,933	159,298	159,943	157,887	157,632	157,999	158,444	156,940	153,021
Unemployment	6,130	6,802	7,015	4,899	4,462	4,592	5,643	5,346	5,841	5,007
Percent of Labor Force	3.8	4.3	4.4	3.1	2.8	2.9	3.6	3.4	3.7	3.3
Employment	154,553	151,130	152,283	155,044	153,425	153,040	152,355	153,098	151,100	148,013

### STATE OF NEBRASKA

Percent of Labor Force										
Unemployment	4.2	4.7	4.7	3.3	3.0	3.2	3.9	3.8	3.8	3.6

Source: State of Nebraska, Department of Labor

**DEMOGRAPHIC STATISTICS  
LAST TEN YEARS**

<u>Year</u>	<u>Population 1</u>	<u>Per Capita Personal Income 2</u>	<u>School Enrollment 3</u>
2011	258,379	\$	36,530
2010	254,001		35,896
2009	251,624	37,361	34,973
2008	248,744	37,990	34,061
2007	241,167	36,838	33,466
2006	239,213	35,441	32,934
2005	238,625	33,799	32,505
2004	236,146	33,024	32,270
2003	235,565	32,098	31,889
2002	231,800	31,208	31,867

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 2010 and 2011 is unavailable.

3 Lincoln Public Schools.

Median age from the 2010 census was 31.8. Education statistics per the 2010 Census indicate that 92.4% of the population 25 years and older has a high school degree or greater with 35.2% of the same population holding a Bachelor's degree or greater.

**LINCOLN UTILITY CUSTOMERS LAST  
TEN YEARS**

<u>Year</u>	<u>Water Customers</u>	<u>Gas Customers</u>	<u>Electricity Customers</u>
2011	79,184	94,231	128,373
2010	78,740	93,916	129,322
2009	77,973	93,679	128,115
2008	77,532	93,419	126,978
2007	76,816	93,301	124,878
2006	75,919	92,824	123,376
2005	74,649	92,152	121,508
2004	73,059	91,046	119,456
2003	72,260	89,642	116,974
2002	69,704	89,085	114,388

Source: Indicated Utility Companies

## SELECTED FINANCIAL STATISTICS

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

Fiscal Year	General Government	Public Safety	Streets And Highways	Culture And Recreation	Economic Opportunity	Health And Welfare	Mass Transit	Debt Service	Totals
2011	\$ 36,622,362	69,537,057	18,335,078	21,794,585	15,811,914	21,993,415	15,088,883	26,439,462	225,622,756
2010	35,865,006	64,679,523	19,832,223	21,483,873	15,359,628	21,652,729	12,034,413	17,032,401	207,939,796
2009	34,428,477	63,984,484	16,445,304	22,449,569	11,321,242	20,349,757	9,575,670	16,990,105	195,544,608
2008	35,278,575	61,147,903	16,482,240	21,686,564	14,685,668	21,053,132	10,707,601	14,427,795	195,469,478
2007	33,946,258	60,953,651	17,430,452	21,719,544	11,670,315	20,378,863	14,877,357	11,589,720	192,566,160
2006	34,666,641	60,064,604	16,928,575	20,938,212	12,623,307	25,566,267	8,901,327	11,016,269	190,705,202
2005	32,532,685	58,669,932	17,064,845	21,669,847	14,870,592	19,126,931	8,306,921	10,562,993	182,804,746
2004	30,884,544	55,272,920	13,633,902	22,308,940	14,728,510	18,544,667	10,525,090	7,914,521	173,813,094
2003	28,938,852	50,933,285	12,317,663	19,935,823	16,469,645	17,614,751	7,996,019	8,507,223	162,713,261
2002	27,237,134	49,913,169	10,833,055	16,974,798	14,017,601	17,989,603	12,691,837	7,411,878	157,069,075

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

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

Fiscal Year	Taxes And Special Assessment	Inter-Governmental	Permits And Fees	Reimbursement For Services	Investment Earnings	Other	Totals
2011	\$ 144,632,640	71,532,824	18,524,372	7,521,366	5,454,877	11,279,552	258,945,631
2010	131,562,303	61,640,301	16,432,219	7,004,334	5,197,259	6,467,138	228,303,554
2009	130,360,416	75,099,973	17,119,002	6,600,299	5,791,391	7,818,015	242,789,096
2008	130,094,818	73,830,720	18,013,104	6,511,457	6,806,258	7,667,778	242,924,135
2007	125,328,388	63,928,043	19,126,239	6,491,112	10,371,565	7,052,107	232,297,454
2006	121,857,986	60,757,501	18,423,079	7,063,192	4,082,196	7,886,377	220,070,331
2005	119,318,079	63,180,171	16,535,049	6,936,334	4,327,311	12,028,417	222,325,361
2004	114,756,962	58,619,699	15,593,326	6,322,870	5,207,711	10,188,520	210,689,088
2003	107,114,577	52,773,424	12,679,623	6,097,336	4,353,336	8,234,138	191,252,434
2002	105,139,052	59,029,609	12,449,879	5,605,557	4,606,825	10,325,634	197,156,556

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

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

Fiscal Year Ended <u>August 31</u>	Special Assessment Collections <u>Including Interest</u>
2011	\$ 1,103,720
2010	1,136,150
2009	1,071,238
2008	1,418,936
2007	1,448,146
2006	1,667,037
2005	1,413,582
2004	2,104,925
2003	1,814,191
2002	1,867,653

<sup>1</sup> Special assessment collections are not tracked by levy year, therefore the portion of collections during any year that 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 2011 tax levy for the 2011-2012 fiscal year is \$100,174,806 below the legal limit, a tax rate per \$100 valuation of .31580. The assessed value upon which the 2011 levy is based is \$15,900,828,813. By charter, only 90% of the property tax levy may be appropriated.

For the 2011-2012 fiscal year the City is subject to a state imposed lid on the appropriation of "restricted funds", that are revenues received from property tax, sales tax, state aid, in-lieu of tax and highway allocation fees. Bonded indebtedness, capital improvements, and costs associated with inter local agreements are exempt from the lid. For 2011-2012 the City can also use authority equal to the greater of 2.5% or the amount of real growth in the tax base that was .12%. An additional 1% can be authorized by a 75% vote of the City Council but was not utilized for the 2011-2012 budget. The 2011-2012 budget is approximately \$18.3 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		Accumulated Collections As Of August 31, 2011	
		Amount	Percent	Amount	Percent
2011	\$ 45,718,972	\$ 44,206,917	96.69 %	\$ 44,206,917	96.69 %
2010	45,197,040	\$ 43,791,366	96.89	45,170,841	99.94
2009	45,884,670	44,385,970	96.73	45,867,726	99.96
2008	45,052,028	43,526,689	96.61	45,039,392	99.97
2007	43,291,440	41,815,295	96.59	43,284,921	99.98
2006	40,930,818	39,549,553	96.63	40,927,221	99.99
2005	38,755,995	37,488,504	96.73	38,749,283	99.98
2004	36,994,112	35,696,288	96.49	36,902,819	99.75
2003	35,007,926	33,648,496	96.12	34,916,463	99.74
2002	33,731,282	32,482,000	96.30	33,720,019	99.97

**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	2011 Assessed Valuations	Percentage Of Total Assessed Valuation
B & J Partnership Ltd.	Building Management	\$ 78,862,600	0.50%
Burlington Northern	Railroad	71,668,442	0.45%
Kawasaki	Manufacturing	70,126,972	0.44%
Ameritas Life Insurance Corp	Insurance	61,017,194	0.38%
WEA Gateway LLC	Retail Management	56,997,083	0.36%
BryanLGH	Hospital	53,953,361	0.34%
Pfizer	Animal Health	47,060,705	0.30%
Nebco	Construction/Development	46,160,673	0.29%
Chateau Van Dorn LLC	Real Estate Development	45,364,619	0.29%
Black Hills Utility Holdings	Gas Utility	45,124,751	0.28%
		\$ 576,336,400	3.63%

**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
2011	\$ 57,959,545
2010	54,925,013
2009	54,255,376
2008	55,733,297
2007	53,960,485
2006	54,270,346
2005	53,781,209
2004	51,869,477
2003	48,657,268
2002	45,393,491

**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
2011	\$ 31,449,267	57,959,545	30,957	1,755,098	11,699,691	102,894,558
2010	31,486,553	54,925,013	11,895	1,620,431	10,467,534	98,511,426
2009	33,783,984	54,255,376	8,143	1,540,752	10,071,230	99,659,485
2008	32,181,660	55,733,297	18,600	1,511,404	9,670,060	99,115,021
2007	31,454,763	53,960,485	10,492	1,399,939	9,596,588	96,422,267
2006	28,366,526	54,270,346	9,526	1,315,038	8,936,502	92,897,938
2005	26,727,618	53,781,209	12,445	1,159,742	9,169,791	90,850,805
2004	24,546,532	51,869,477	9,263	1,144,747	9,037,781	86,607,800
2003	22,780,085	48,657,268	10,876	1,199,507	8,831,712	81,479,448
2002	23,353,414	45,393,491	8,403	1,163,468	9,097,442	79,016,218

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

Tax Year	Real Estate	All Other	Total
2011	\$ 15,125,408,200	755,852,220	15,881,260,420
2010	14,984,937,627	761,515,955	15,746,453,582
2009	15,222,189,222	713,383,515	15,935,572,737
2008	14,969,536,405	684,390,085	15,653,926,490
2007	14,638,856,501	703,307,287	15,342,163,788
2006	12,897,825,080	685,425,215	13,583,250,295
2005	12,421,799,720	716,716,506	13,138,516,226
2004	12,001,190,379	742,915,013	12,744,105,392
2003	10,350,628,778	779,959,389	11,130,588,167
2002	9,903,888,713	820,797,124	10,724,685,837

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

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

	Tax Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
City of Lincoln	0.2879	0.2879	0.2879	0.2879	0.2833	0.3009	0.2950	0.2903	0.3145	0.3145
School District No. 1	1.2462	1.2537	1.2668	1.2719	1.2764	1.3142	1.3141	1.3011	1.2830	1.2732
Lancaster County	0.2683	0.2683	0.2683	0.2755	0.2655	0.2841	0.2797	0.2683	0.2683	0.2583
Educational Service Unit #18	0.0145	0.0150	0.0150	0.0141	0.0141	0.0150	0.0150	0.0150	0.0150	0.0150
Community Technical College	0.0600	0.0676	0.0722	0.0689	0.0689	0.0696	0.0655	0.0655	0.0655	0.0636
Lower Platte South Natural Res. Dist.	0.0406	0.0410	0.0410	0.0418	0.0416	0.0422	0.0323	0.0323	0.0359	0.0365
Railroad Transportation Safety Dist.	0.0260	0.0260	0.0260	0.0260	0.0246	0.0260	0.0260	0.0248	0.0220	0.0221
Lancaster County Correctional JPA City	0.0189	0.0194	0.0195	-	-	-	-	-	-	-
Lancaster County Correctional JPA County	0.0106	0.0107	0.0106	-	-	-	-	-	-	-
Agricultural Society of Lancaster County	0.0017	0.0016	0.0015	0.0016	0.0016	0.0018	0.0020	0.0030	0.0012	0.0024
Lancaster County Fairgrounds	0.0038	0.0038	0.0038	0.0043	0.0037	0.0042	0.0042	0.0043	0.0050	0.0052
Public Building Commission	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170
	<u>1.9955</u>	<u>2.0120</u>	<u>2.0296</u>	<u>2.0090</u>	<u>1.9967</u>	<u>2.0750</u>	<u>2.0508</u>	<u>2.0216</u>	<u>2.0274</u>	<u>2.0078</u>

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

## DEBT MANAGEMENT OUTSTANDING INDEBTEDNESS AS OF AUGUST 31, 2011

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

Original Amount	Issued	Issue	Interest Rate	When Due	Date Callable	Interest Date	Outstanding
<b>General Obligation Bonds:</b>							
<b>General Bonds:</b>							
8,220	03/01/99	Various Purpose Series B	3.000 - 4.250	Serial 1999 to 2011	2007	Semiannually	\$ 260
15,595	07/08/03	Various Purpose	2.625 - 3.750	Serial 2004 to 2017	2013	"	5,215
3,710	07/08/03	Various Purpose	4.000 / 4.125	Term 2020 & 2023	2013	"	3,710
9,950	06/15/05	Storm Sewer Construction	3.250 - 4.250	Serial 2006 to 2025	2015	"	7,660
8,295	06/27/07	Stormwater Drainage and Flood Mgmt	4.625 - 5.000	Serial 2008 to 2027	2017	"	7,265
8,200	02/10/11	Stormwater Bonds	2.000 - 4.500	Serial 2013 to 2030	2020	"	8,200
19,290	06/21/11	Refunding	0.2000 - 5.000	Serial 2011 to 2022	2019	"	19,290
<b>Total General Bonds</b>							<b>\$ 51,600</b>
<b>Tax Allocation Bonds:</b>							
1,035	04/21/04	Tax Allocation Bonds	2.000 - 3.200	Serial 2004 to 2011	2008	Semiannually	160
5,500	04/21/04	Tax Allocation Bonds	3.000 - 4.800	Serial 2004 to 2015	2010	"	2,880
365	08/15/05	Tax Allocation Bonds	4.750	Serial 2006 to 2018	Anytime	"	216
288	10/01/06	Tax Allocation Bonds	5.100	Serial 2008 to 2016	Anytime	"	188
2,205	04/05/07	Tax Allocation Bonds	5.000 - 5.550	Serial 2009 to 2018	2012	"	1,845
601	06/01/07	Tax Allocation Bonds	5.240	Serial 2008 to 2018	Anytime	"	561
388	06/01/07	Tax Allocation Bonds	5.240	Serial 2007 to 2020	Anytime	"	300
369	06/15/07	Tax Allocation Bonds	5.400	Serial 2007 to 2014	Anytime	"	190
42	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2021	Anytime	"	37
71	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2017	Anytime	"	63
474	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2022	Anytime	"	332
547	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	469
200	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	170
611	06/30/09	Tax Allocation Bonds	7.00	Serial 2011 to 2023	Anytime	"	609
3,375	07/28/09	Tax Allocation Bonds	2.500 - 6.400	Serial 2011 to 2023	Anytime	"	3,375
263	04/01/11	Tax Allocation Bonds	3.990	Serial 2011 to 2022	Anytime	"	263
<b>Total Tax Allocation Bonds</b>							<b>\$ 11,658</b>
<b>Tax Supported Bonds:</b>							
35,000	03/17/04	Highway Allocation Fund	2.000 - 5.000	Serial 2007 to 2023	2014	Semiannually	31,965
27,000	12/05/06	Highway Allocation Fund	4.000 - 5.000	Serial 2008 to 2027	2016	"	23,240
<b>Total Tax Supported Bonds</b>							<b>\$ 55,205</b>
<b>Special Assessment Bonds:</b>							
825	08/18/11	Special Assessment	0.400 - 3.700	Serial 2012 to 2026		Semiannually	825
375	08/18/11	Special Assessment	4.200	Term 2031		"	375
<b>Total Special Assessment Bonds</b>							<b>\$ 1,200</b>
<b>West Haymarket Joint Public Agency</b>							
31,515	09/08/10	Facility Bonds Taxable Build America Bonds	3.500 - 4.45	Serial 2020 to 2030	Anytime	Semiannually	31,515
68,485	09/08/10	Facility Bonds Taxable Build America Bonds	4.750 / 5.000	Term 2035 & 2045	Anytime	"	68,485
15,785	12/01/10	Facility Bonds Taxable Build America Bonds	4.000 - 5.000	Serial 2020 - 2025	Anytime	"	15,785
52,180	12/01/10	Facility Bonds Taxable Build America Bonds	5.400 / 5.800 / 6.000	Term 2030 2035 2039	Anytime	"	52,180
32,035	12/01/10	Recovery Zone Economic Development	6.750	Term 2045	Anytime	"	32,035
44,290	08/24/11	Facility Bonds	3.500 - 5.000	Serial 2021 to 2032	2021	"	44,290
55,710	08/24/11	Facility Bonds	4.250 / 5.000	Term 2036 & 2042	2021	"	55,710
<b>Total West Haymarket Joint Public Agency</b>							<b>\$ 300,000</b>
<b>TOTAL GENERAL OBLIGATION BONDS</b>							<b>\$ 419,663</b>
<b>Tax Supported Bonds:</b>							
11,080	3/13/02	Antelope Valley Project	1.500 - 5.000	Serial 2002 to 2016	2012	Semiannually	\$ 5,920
<b>Revenue Bonds:</b>							
39,235	07/31/03	Wastewater Revenue	2.000 - 5.000	Serial 2004 to 2023	2013	Semiannually	\$ 26,350
15,765	07/31/03	Wastewater Revenue	4.625 / 5.000	Term 2025 & 2028	2013	"	15,765
18,000	08/03/05	Wastewater Revenue	4.000 - 5.000	Serial 2006 to 2030	2015	"	15,000
16,710	04/18/07	Wastewater Revenue	4.000 - 4.500	Serial 2008 to 2029	2017	"	14,760
3,750	04/18/07	Wastewater Revenue	4.375	Term 2032	2017	"	3,750
<b>Total Wastewater Bonds</b>							<b>\$ 75,625</b>
11,850	11/22/02	Water Revenue	2.750 - 5.000	Serial 2005 to 2017	2012	Semiannually	6,180
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	-	"	2,630
40,000	11/16/04	Water Revenue	3.000 - 5.000	Serial 2005 to 2025	2014	"	33,030
10,515	08/04/09	Water Revenue	2.000 - 4.125	Serial 2013 to 2029	2019	"	10,515
4,905	08/04/09	Water Revenue	4.5000	Term 2034	2019	"	4,905
<b>Total Water Bonds</b>							<b>\$ 63,920</b>
4,360	12/18/01	Parking Revenue	3.750 - 5.000	Serial 2002 to 2017	2011	"	1,935
1,640	12/18/01	Parking Revenue	5.125	Term 2021	2011	"	1,640
2,065	12/29/10	Parking Revenue	1.250 - 2.850	Serial 2011 to 2014	N/A	"	1,760
10,775	01/27/11	Parking Revenue and Refunding	5.000 / 5.125 / 5.500	Term 2026 & 2031	2021	"	10,775
<b>Total Parking Bonds</b>							<b>\$ 23,855</b>
4,000	08/17/06	Solid Waste Management Revenue	4.000 - 4.250	Serial 2007 to 2021	2013	Semiannually	\$ 3,020
148,190	10/01/02	Electric Revenue and Refunding Bonds	4.000 - 5.000	Serial 2004 to 2025	2012	"	81,660
93,045	10/01/03	Electric Revenue and Refunding Bonds	3.000 - 5.000	Serial 2004 to 2026	2014	"	78,200
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	"	176,255
81,850	05/15/07	Electric Revenue and Refunding Bonds	4.500 / 4.750	Term 2034 & 2037	2016	"	81,850
<b>Total Electric Bonds</b>							<b>\$ 566,230</b>
<b>TOTAL REVENUE BONDS</b>							<b>\$ 732,650</b>

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
2012	\$ 6,636	19,029	710	271	3,688	959
2013	8,563	19,575	740	238	3,284	889
2014	8,816	19,283	780	200	3,421	817
2015	9,061	18,971	815	162	3,511	738
2016	9,455	18,603	855	122	3,586	643
2017 - 2021	47,260	87,656	2,020	51	9,322	2,051
2022 - 2026	72,657	74,055	-	-	5,458	830
2027 - 2031	55,835	59,699	-	-	1,255	68
2032 - 2036	60,645	46,279	-	-	-	-
2037 - 2041	73,345	29,401	-	-	-	-
2042 - 2046	67,390	8,882	-	-	-	-
	<u>\$ 419,663</u>	<u>401,433</u>	<u>5,920</u>	<u>1,044</u>	<u>33,525</u>	<u>6,995</u>

Fiscal Year Ended August 31	Business-Type Activities					
	Revenue Bonds		Loans Payable		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 28,020	34,879	195	116	258	24
2013	27,010	33,539	307	112	198	18
2014	28,255	32,258	312	107	205	13
2015	29,500	30,887	318	101	152	7
2016	30,845	29,481	323	96	98	5
2017 - 2021	178,095	123,373	1,694	399	98	2
2022 - 2026	117,595	86,452	1,839	254	-	-
2027 - 2031	119,815	59,989	1,896	97	-	-
2032 - 2036	119,470	29,412	107	1	-	-
2037 - 2041	54,045	3,676	-	-	-	-
	<u>\$ 732,650</u>	<u>463,946</u>	<u>6,991</u>	<u>1,283</u>	<u>1,009</u>	<u>69</u>

Fiscal Year Ended August 31	Major Enterprise Funds					
	Wastewater System		Water System		Electric System	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 3,075	3,620	5,380	2,905	18,680	27,267
2013	3,287	3,500	3,310	2,647	19,610	26,333
2014	3,397	3,370	3,425	2,506	20,595	25,353
2015	3,522	3,217	3,555	2,354	21,620	24,323
2016	3,648	3,057	3,690	2,191	22,675	23,271
2017 - 2021	20,475	12,768	20,915	8,199	131,510	98,220
2022 - 2026	25,189	7,816	16,315	3,406	71,630	72,415
2027 - 2031	18,611	2,161	4,240	1,266	90,790	55,355
2032 - 2036	1,412	58	3,090	283	115,075	29,072
2037 - 2041	-	-	-	-	54,045	3,676
	<u>\$ 82,616</u>	<u>39,567</u>	<u>63,920</u>	<u>25,757</u>	<u>566,230</u>	<u>385,285</u>

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

Net assets of \$2,666,408, \$3,016,975, \$10,291,693, and \$85,335 are currently available in the debt service funds to service the General Obligation Bonds, Tax Supported Bonds, Tax Allocation Bonds, and Special Assessment Bonds, respectively. Revenue Bonds are funded partially from reserve accounts set up for debt repayment and partially from proceeds of daily operations.

The City has entered into lease agreements for financing the acquisition of land, buildings, 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	\$ 1,774,450	\$ 210,000
Buildings	18,171,399	-
Improvements	219,925	-
Infrastructure	13,719,213	-
Machinery and Equipment	2,946,000	3,492,756
Construction In Progress	388,181	
Less Accumulated Depreciation, (where applicable)	<u>(5,566,307)</u>	<u>(2,256,254)</u>
Total	<u>\$ 31,652,861</u>	<u>\$ 1,446,502</u>

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

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, 2011, is summarized below (unaudited):

<u>Governmental Units</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>1</sup></u>	<u>Direct And Overlapping Debt To The City</u>
Direct:			
City	\$ 419,663,000	100.0 %	\$ 419,663,000
Overlapping:			
School District #1	362,755,000	99.5	360,941,000
Lower Platte South N.R.D.	-	75.4	-
Lancaster County	1,400,000	85.4	1,196,000
Public Building Commission	41,660,000	85.4	35,578,000
Lancaster County Correctional Facility	59,570,000	85.4	50,873,000
Lancaster County Fairgrounds	8,480,000	85.4	7,242,000
	<u>473,865,000</u>		<u>455,830,000</u>
Total	<u>\$ 893,528,000</u>		<u>\$ 875,493,000</u>

The City has no direct liability for the School District, Lower Platte South N.R.D., Lancaster County, Public Building Commission, Lancaster County Fairgrounds or Lancaster County Correctional Facility debt summarized above. This results in a per capita direct City debt of \$1,624.21; a per capita direct and overlapping debt of \$3,388.41; a ratio of direct City debt to 2011 actual valuation of 2.64 percent; and a ratio of direct and overlapping debt to 2011 actual valuation of 5.51 percent.

In addition to the governmental units listed above, the Airport Authority of the City of Lincoln, Nebraska (the "Airport Authority"), a body politic and corporate separate and distinct from the City of Lincoln, provides services within the City's boundaries and has overlapping general obligation indebtedness. As of June 30, 2011, the Airport Authority had outstanding \$9,080,000 in aggregate principal amount of its general obligation airport bonds. The Airport Authority anticipates that such bonds will be paid from revenues derived from its operations of the Lincoln Municipal Airport, but the Airport Authority is authorized to levy a property tax, at a rate not to exceed three and five-tenths cents (\$.035) on each \$100 of taxable valuation, on all the taxable property in the City. The Airport Authority has not levied a property tax since 1985 for any purpose, including airport operating expenses or debt service on its bonds.

#### **Debt Payment Record**

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

**Contingencies**

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

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

Fiscal Year	Principal	Interest <sup>2</sup>	Total Debt Service	Total General Governmental Expenditures <sup>1</sup>	Ratio Of Debt Service To Total General Expenditures
2011	\$ 6,857,978	\$ 5,147,840	\$ 12,005,818	\$ 225,622,756	5.32 %
2010	7,457,532	5,676,933	13,134,465	207,939,796	6.32
2009	8,036,544	5,814,071	13,850,615	195,544,608	7.08
2008	6,824,828	5,979,172	12,804,000	195,469,478	6.55
2007	5,617,536	4,986,687	10,604,223	192,566,160	5.51
2006	5,770,794	4,670,734	10,441,528	190,705,202	5.48
2005	5,421,699	4,860,926	10,282,625	182,804,746	5.62
2004	4,934,224	2,893,437	7,827,661	173,813,094	4.50
2003	5,435,370	2,986,634	8,422,004	162,713,261	5.18
2002	4,921,172	2,421,303	7,342,475	157,069,075	4.67

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

<sup>2</sup> Does not include fiscal and miscellaneous charges.

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

Fiscal Year	General Obligation Bonded Debt	Sinking Funds	Net General Obligation Bonded Debt	Population <sup>1</sup>	Net G.O. Bonded Debt Per Capita	Assessed Valuation Real And Personal	Ratio of Net Debt To Assessed Valuation Real & Personal <sup>2</sup>	Assessed Valuation Of Taxable Real Property <sup>2</sup>	Ratio of Net Debt To Estimated Valuation Of Taxable Real Property
2011	\$ 119,663,000	\$ 13,305,000	\$ 106,358,000	258,379	\$ 411.64	\$ 15,881,260,420	0.67%	\$ 15,125,408,200	0.70%
2010	118,383,000	13,480,000	104,903,000	254,001	413.00	15,746,453,582	0.67%	14,984,937,627	0.70%
2009	125,181,000	13,604,000	111,577,000	251,624	443.43	15,935,572,737	0.70%	15,222,189,222	0.73%
2008	128,581,000	12,962,000	115,619,000	248,744	464.81	15,653,926,490	0.74%	14,969,536,405	0.77%
2007	133,413,000	11,574,000	121,839,000	241,167	505.21	15,342,163,788	0.79%	14,638,856,501	0.83%
2006	99,347,000	9,733,000	89,614,000	239,213	374.62	13,583,250,295	0.66%	12,897,825,080	0.69%
2005	104,538,000	13,364,000	91,174,000	238,625	382.08	13,138,516,226	0.69%	12,421,799,720	0.73%
2004	98,915,000	20,509,000	78,406,000	236,146	332.02	12,744,105,392	0.62%	12,001,190,379	0.65%
2003	61,759,000	17,083,000	44,676,000	235,565	189.65	11,130,588,167	0.40%	10,350,628,778	0.43%
2002	56,997,000	15,847,000	41,150,000	231,800	177.52	10,724,685,837	0.38%	9,903,888,713	0.42%

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

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

**REVENUE BOND COVERAGE  
LAST TEN FISCAL YEAR**

	Gross Revenue	Direct Operating Expenses	Net Available Revenue	Debt Service Requirements			Coverage
				Principal	Interest	Total	
<b>Wastewater System</b>							
2011	\$ 23,546,370	12,543,964	11,002,406	2,865,000	3,647,609	6,512,609	1.69
2010	22,472,095	11,664,593	10,807,502	2,695,000	3,731,444	6,426,444	1.68
2009	22,643,270	11,771,291	10,871,979	2,620,000	3,820,044	6,440,044	1.69
2008	22,347,867	11,393,624	10,954,243	2,415,000	4,030,454	6,445,454	1.70
2007	21,158,743	11,462,964	9,695,779	2,005,000	3,081,481	5,086,481	1.91
2006	19,827,194	11,125,819	8,701,375	2,065,000	3,043,500	5,108,500	1.70
2005	18,248,683	10,482,955	7,765,728	1,500,000	2,403,519	3,903,519	1.99
2004	18,092,619	10,042,919	8,049,700	1,750,000	2,133,704	3,883,704	2.07
2003	15,607,743	9,086,469	6,521,274	1,032,500	266,722	1,299,222	5.02
2002	15,731,749	8,632,287	7,099,462	992,500	316,847	1,309,347	5.42
<b>Water System</b>							
2011	\$ 30,629,506	15,455,027	15,174,479	6,310,000	3,191,857	9,501,857	1.60
2010	26,515,467	14,091,292	12,424,175	6,050,000	3,458,097	9,508,097	1.31
2009	27,838,187	14,995,077	12,843,110	5,795,000	3,128,414	8,923,414	1.44
2008	27,257,184	14,425,521	12,831,663	5,555,000	3,376,201	8,931,201	1.44
2007	29,386,495	14,351,136	15,035,359	5,340,000	3,612,001	8,952,001	1.68
2006	29,014,999	13,808,214	15,206,785	5,130,000	3,834,301	8,964,301	1.70
2005	27,153,937	13,145,665	14,008,272	4,895,000	3,517,932	8,412,932	1.67
2004	24,557,918	12,477,486	12,080,432	3,115,000	2,411,632	5,526,632	2.19
2003	22,094,721	11,631,496	10,463,225	3,010,000	2,898,489	5,908,489	1.77
2002	22,894,652	11,474,433	11,420,219	2,880,000	2,110,590	4,990,590	2.29
<b>Golf</b>							
2011	\$ 2,766,603	2,683,690	82,913	365,000	14,783	379,783	0.22
2010	2,779,424	2,562,064	217,360	350,000	28,783	378,783	0.57
2009	3,133,238	2,516,538	616,700	335,000	41,848	376,848	1.64
2008	2,933,843	2,402,983	530,860	325,000	54,035	379,035	1.40
2007	2,926,985	2,463,827	463,158	315,000	65,060	380,060	1.22
2006	2,993,961	2,467,141	526,820	305,000	74,973	379,973	1.39
2005	3,135,875	2,568,462	567,413	295,000	83,823	378,823	1.50
2004	2,899,670	2,467,141	432,529	290,000	91,653	381,653	1.13
2003	2,648,552	2,408,947	239,605	280,000	98,513	378,513	0.63
2002	2,673,078	2,141,707	531,371	305,000	75,628	380,628	1.40
<b>Parking Facilities</b> <sup>1,2</sup>							
2011	\$ 7,698,018	3,606,008	4,092,010	580,000	689,717	1,269,717	3.22
2010	6,869,392	3,340,601	3,528,791	1,435,000	558,519	1,993,519	1.77
2009	7,014,250	2,874,768	4,139,482	1,360,000	624,394	1,984,394	2.09
2008	7,134,709	2,912,511	4,222,198	1,305,000	687,194	1,992,194	2.12
2007	6,645,013	2,781,952	3,863,061	1,240,000	746,374	1,986,374	1.94
2006	6,785,593	2,775,122	4,010,471	1,185,000	799,931	1,984,931	2.02
2005	6,219,935	2,972,709	3,247,226	1,140,000	850,501	1,990,501	1.63
2004	6,299,598	2,733,492	3,566,106	1,145,000	908,456	2,053,456	1.74
2003	5,988,240	2,304,632	3,683,608	1,085,000	962,829	2,047,829	1.80
2002	5,483,546	1,964,389	3,519,157	1,115,000	924,470	2,039,470	1.73
<b>Solid Waste Management</b>							
2011	\$ 7,628,127	6,386,050	1,242,077	210,000	132,425	342,425	3.63
2010	7,377,385	8,482,526	-	200,000	140,425	340,425	-
2009	7,664,336	4,482,819	3,181,517	195,000	148,225	343,225	9.27
2008	8,537,520	5,701,312	2,836,208	190,000	155,825	345,825	8.20

<sup>1</sup> Includes parking meter revenues that were deposited to the General Fund but are pledged per bond ordinance.

<sup>2</sup> 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. 2011	F.Y. 2010	F.Y. 2009	F.Y. 2008	F.Y. 2007	F.Y. 2006	F.Y. 2005	F.Y. 2004	F.Y. 2003	F.Y. 2002
Cash & Investment Balance - September 1 of Year Indicated	14,597,487	16,286,626	15,738,481	14,632,274	13,475,643	18,948,253	23,521,130	26,784,845	26,589,993	24,802,768
Receipts:										
Property Tax	31,449,267	31,486,553	33,783,984	32,181,660	31,454,763	28,366,526	26,727,618	24,546,532	22,780,085	23,353,414
City Sales & Use Tax	57,959,545	54,925,013	54,255,376	55,733,297	53,960,485	54,270,346	53,781,209	51,869,477	48,657,268	45,393,492
Other Income	33,232,580	27,906,103	27,389,492	26,270,119	27,663,641	25,390,112	25,620,145	23,615,320	24,933,838	26,342,414
Total Receipts	122,641,392	114,317,669	115,428,852	114,185,076	113,078,889	108,026,984	106,128,972	100,031,329	96,371,191	95,089,320
Less Disbursements	120,296,470	116,006,808	114,880,707	113,078,869	111,922,258	113,499,594	110,701,849	103,295,044	96,176,339	93,302,095
Cash & Investment Balance - August 31 of Year Indicated	16,942,409	14,597,487	16,286,626	15,738,481	14,632,274	13,475,643	18,948,253	23,521,130	26,784,845	26,589,993

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

	F.Y. 2011	F.Y. 2010	F.Y. 2009	F.Y. 2008	F.Y. 2007	F.Y. 2006	F.Y. 2005	F.Y. 2004	F.Y. 2003	F.Y. 2002
Cash Balance - September 1 of Year Indicated	2,941,245	3,533,968	4,201,889	4,057,088	2,761,491	3,364,608	3,570,557	2,935,997	3,440,537	3,099,198
Receipts:										
Property Tax	5,337,610	5,517,878	5,689,007	5,709,454	5,460,690	2,973,410	5,607,615	5,387,468	5,883,592	6,340,938
Interest Income	28,331	60,063	131,475	153,977	84,935	86,812	83,286	48,595	32,298	53,873
Bond Proceeds	20,236,484						6,597,635		9,436,083	
Other Income	116,758	124,279	173,446	1,003,173	1,927,112	2,935,603	149,038	691,340	240,110	232,009
Total Receipts	25,719,183	5,702,220	5,993,928	6,866,604	7,472,737	5,995,825	12,437,574	6,127,403	15,592,083	6,626,820
Disbursements:										
Bonds Paid	2,720,000	4,110,000	4,320,000	4,260,000	3,950,000	4,250,000	3,850,000	3,215,000	4,177,765	4,137,254
Bonds Defeased									9,609,774	
Interest Paid	1,753,957	2,178,545	2,335,411	2,456,373	2,217,610	2,342,582	2,197,207	2,271,548	2,309,084	2,144,322
Transfer to Trustee	21,746,822						6,504,876			
Other Disbursements	204,668	6,398	6,438	5,430	9,530	6,360	91,440	6,295		3,905
Total Disbursements	26,425,447	6,294,943	6,661,849	6,721,803	6,177,140	6,598,942	12,643,523	5,492,843	16,096,623	6,285,481
Equity Transfer										
Cash Balance - August 31 of Year Indicated	2,234,981	2,941,245	3,533,968	4,201,889	4,057,088	2,761,491	3,364,608	3,570,557	2,935,997	3,440,537

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

	F.Y. 2011	F.Y. 2010	F.Y. 2009	F.Y. 2008	F.Y. 2007	F.Y. 2006	F.Y. 2005	F.Y. 2004	F.Y. 2003	F.Y. 2002
Cash & Investment Balance - September 1 of Year Indicated	4,302,257	4,161,711	11,148,146	9,991,053	8,846,000	7,583,251	7,830,502	6,910,967	6,586,633	3,778,207
Receipts:										
Special Assessment Collections	996,209	984,301	954,672	1,235,621	1,257,112	1,476,284	1,208,686	1,654,695	1,271,575	1,360,347
Interest on Special Assessments	106,379	148,383	112,749	179,258	188,349	189,927	204,108	267,298	346,725	294,839
City's Share of Costs	233,615	292,420	34,802		187,957	723,038	578,992	116,009	97,107	2,145,574
Developers' Share of Costs										4,617
Bond Proceeds	1,200,000									
Interest on Investments	60,248	135,149	335,273	453,282	340,274	254,809	217,996	140,289	130,555	137,143
Miscellaneous	38,456			33,964	49,403	74,657	30,687	288,482	195,535	474,438
Total Receipts	<u>2,634,907</u>	<u>1,560,253</u>	<u>1,437,496</u>	<u>1,902,125</u>	<u>2,023,095</u>	<u>2,718,715</u>	<u>2,240,469</u>	<u>2,466,773</u>	<u>2,041,497</u>	<u>4,416,958</u>
Disbursements:										
Construction Costs	2,081,765	1,113,691	861,203	742,698	766,768	1,066,513	1,796,239	1,399,323	1,560,456	1,090,434
Bonds Paid					55,000		100,000	105,000	105,000	110,000
Equity Transfer			7,554,009							
Interest Paid on Bonds & Notes	3,758,342				37,581		3,425	10,420	17,534	24,762
Other Refunds & Expenses	337,877	306,016	8,719	2,334	18,693	389,453	588,056	32,495	34,173	383,336
Total Disbursements	<u>6,177,984</u>	<u>1,419,707</u>	<u>8,423,931</u>	<u>745,032</u>	<u>878,042</u>	<u>1,455,966</u>	<u>2,487,720</u>	<u>1,547,238</u>	<u>1,717,163</u>	<u>1,608,532</u>
Cash & Investment Balance - August 31 of Year Indicated	<u>759,180</u>	<u>4,302,257</u>	<u>4,161,711</u>	<u>11,148,146</u>	<u>9,991,053</u>	<u>8,846,000</u>	<u>7,583,251</u>	<u>7,830,502</u>	<u>6,910,967</u>	<u>6,586,633</u>

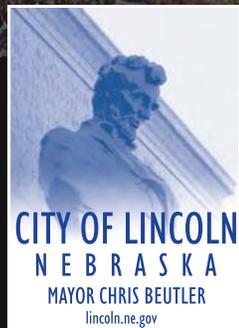
**APPENDIX B**

**FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR  
ENDED AUGUST 31, 2011, TOGETHER WITH AUDITORS' REPORT THEREON**

# COMPREHENSIVE ANNUAL FINANCIAL



Photo courtesy of Lincoln Chamber of Commerce



# R E P O R T

Fiscal Year Ended August 31, 2011

On the cover:

---

“Moving Lincoln Forward.” A gorgeous sunset picture of our downtown taken from west Lincoln.

The purplish haze of sunset is divided by seven enormous construction cranes. These seven cranes are symbolic of the tremendous progress Lincoln has seen in the past year.

The cranes in the Chamber's picture are building an insurance building, University of Nebraska at Lincoln stadium addition, civic arena, hotels, parking garage with upper condos, and associated retail, office, and public spaces.

**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT**

**OF THE  
CITY OF LINCOLN, NEBRASKA**

**FOR THE FISCAL YEAR ENDED AUGUST 31, 2011**

Prepared by:

The Accounting Division of the Finance Department

## **INTRODUCTORY SECTION**

## OFFICIALS OF THE CITY OF LINCOLN

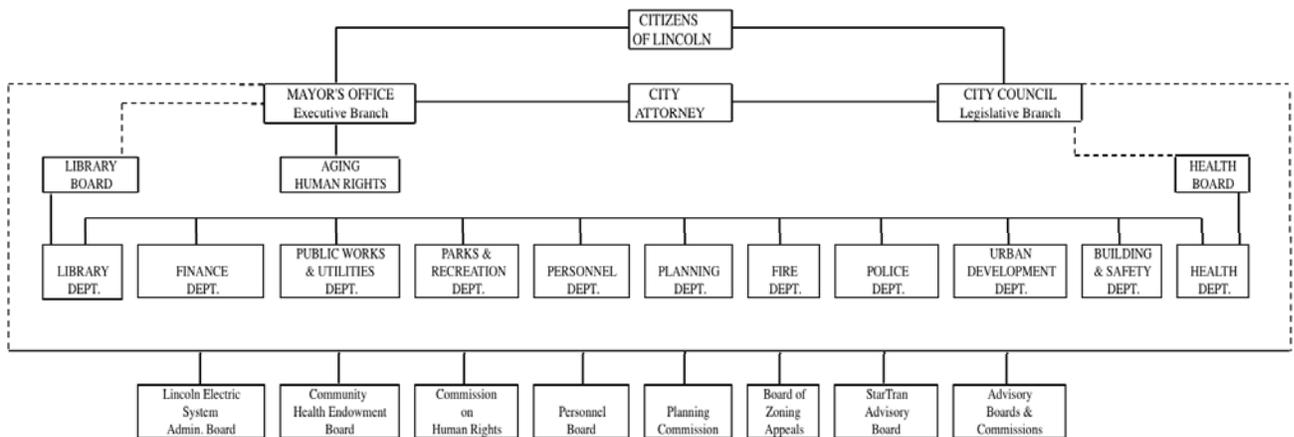
Chris Beutler ..... Mayor  
 Eugene Carroll.....Chair, City Council  
 Adam Hornung..... Vice Chair, City Council  
 Jon Camp..... Council Member  
 Jonathan Cook..... Council Member  
 Doug Emery ..... Council Member  
 Carl Eskridge..... Council Member  
 DiAnna Schimek ..... Council Member

\* \* \* \* \*

Steve Hubka ..... Interim Finance Director  
 Marvin Krout.....Planning Director  
 Lynn Johnson ..... Parks and Recreation Director  
 Kevin Wailes ..... Lincoln Electric System Administrator  
 David Landis ..... Urban Development Director  
 Pat Leach ..... Library Director  
 Miki Esposito ..... Interim Public Works/Utilities Director  
 Fred Hoke..... Building and Safety Director  
 Judith Halstead ..... Health Director  
 Douglas McDaniel..... Personnel Director  
 Rodney Confer ..... City Attorney  
 Tom Casady..... Public Safety Director  
 Jim Peschong..... Police Chief  
 John Huff..... Fire Chief

\* \* \* \* \*

## CITY OF LINCOLN ORGANIZATION CHART



**CITY OF LINCOLN, NEBRASKA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED AUGUST 31, 2011  
 TABLE OF CONTENTS**

<b>INTRODUCTORY SECTION</b>	<b>Page</b>
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
 <b>FINANCIAL SECTION</b>	
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 Net Assets – Proprietary Funds .....	24
Statement of Revenues, Expenses, and Changes in Fund Net Assets	
– Proprietary Funds .....	25
Statement of Cash Flows – Proprietary Funds.....	26
Statement of Fiduciary Net Assets – Fiduciary Funds.....	27
Statement of Changes in Fiduciary Net Assets – Fiduciary Fund .....	28
Notes to the Financial Statements:	<b>Note</b>
Summary of Significant Accounting Policies.....	1..... 30
Reconciliation of Government-wide and Fund Financial Statements .....	2..... 37
Restricted Assets .....	3..... 39
Deposits and Investments.....	4..... 39
Fund Balances .....	5..... 44
Receivables and Due From Other Governments.....	6..... 45
Capital Assets.....	7..... 46
Interfund Balances and Activity .....	8..... 49
Debt Obligations .....	9..... 50
Reconciliation of Budget Basis to GAAP.....	10..... 56
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..... 61
Risk Management .....	16..... 61
Commitments and Contingencies .....	17..... 63
Landfill Closure and Postclosure Care Costs.....	18..... 65
Fair Value of Financial Instruments.....	19..... 66
Segment Information.....	20..... 66
Pledged Revenues .....	21..... 67

	<u>Note</u>	<u>Page</u>
Public Building Commission .....	22.....	68
Joint Antelope Valley Authority .....	23.....	69
Jointly Governed Organizations.....	24.....	69
Subsequent Events .....	25.....	70
Required Supplementary Information:		
Schedule of Funding Progress for PFDP Pension.....		71
Schedule of Employer Contributions for PFDP Pension .....		71
Schedule of Funding Progress for City OPEB.....		71





# CITY OF LINCOLN NEBRASKA

MAYOR CHRIS BEUTLER

lincoln.ne.gov

Office of the Mayor  
555 South 10th Street  
Suite 301  
Lincoln, Nebraska 68508  
402-441-7511  
fax: 402-441-7120  
mayor@lincoln.ne.gov

February 17, 2012

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, 2011.

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

Our ability to manage the City's fiscal affairs and provide a full disclosure of the City's fiscal condition is exhibited by the unqualified audit opinion that follows. I am proud to report that the 2010 report submitted to the Government Finance Officers Association was recognized with the prestigious Certificate of Achievement for Excellence in Financial Reporting for the 28th consecutive year. This recognition is a credit to the City and a compliment to our dedicated Finance Department.

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

Sincerely,



Chris Beutler  
Mayor of Lincoln



Finance Department  
Steve Hubka, Interim Finance Director  
555 South 10th Street  
Suite 103  
Lincoln, Nebraska 68508

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



MAYOR CHRIS BEUTLER

lincoln.ne.gov

February 17, 2012

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, 2011, is hereby submitted.

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

In 2011, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as required for GAAP reporting. As a result, the City's General Fund, as reported on page 18, now includes approximately \$8.4 million of additional beginning fund balance from what the City budgeting and accounting structure considers to be other independent funds. Management believes that this change decreases the usefulness of the financial reports, in particular the Governmental Funds Balance Sheet. In order to make comparisons to prior year information for our internal reporting purposes, reviewers will be required to reference other lower level statements and footnotes.

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, 2011, 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, 2011, are fairly presented in conformity with GAAP.

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

### **Profile of the City**

The City of Lincoln, capital city of Nebraska, was originally incorporated on April 7, 1869. Lincoln is located in the southeastern corner of the state, is midway between Chicago and Denver, and is currently one of the fastest growing metro areas in the Midwest. It occupies a land area of approximately 90 square miles, serves a population of over 258,000, and in its growth and development has annexed five other municipalities so that the City includes most of the urban area of Lancaster County. It enjoys a unique position in Nebraska as the center of the state's governmental and educational activities.

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

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

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

The annual budget serves as the basis for the City of Lincoln's financial planning and control. Following public hearings and not later than five days prior to the beginning of the fiscal year, the budget is legally adopted by resolution of the City Council. Appropriation controls are required at the department level, however, as a matter of policy and practice, appropriations generally are controlled at the next level of organization (division) or by fund within a department. The Mayor has the authority to transfer balances within a department as well as lower appropriations in any fund where actual revenues are less than

appropriated in order to avoid incurring a budget deficit for the year. Appropriation transfers between departments may only be authorized by resolution of the City Council. The Council may not make any appropriations in addition to those authorized in the annual budget, except in the event of an emergency threatening serious loss of life, health, or property in the community.

### **Economic Condition and Outlook**

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

The Lincoln metropolitan area population base (Lancaster County) continues to demonstrate a pattern of sustained growth. According to the U. S. Census figures, the Lincoln metropolitan area population grew by 77.96 percent since 1960. Lancaster County's rate of growth between 2000 and 2010 has been 14.0 percent or approximately 1.36 percent per year. The 2010 population of Lancaster County has been estimated to be in excess of 285,000 persons.

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

Lincoln's unemployment rate at August 31, 2011, was 3.7%, well below the national average of 9.1%, with employment strongest in the categories of government, educational & health services, and retail trade. Lincoln's current number of construction permits is down 14% when compared to levels 5 years ago, with a corresponding decrease in the value of construction permits of over \$80 million.

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

Net sales and use tax revenue increased \$2,633,412 or 4.8% from the previous fiscal year. In relation to this primary revenue source, the City is seeing slight signs of recovery from the negative economic factors that have affected the local and national economies.

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

#### **Urban Development**

The City anticipates approximately \$19 million of public expenditures funded through various urban development projects and programs over the next three years. These projects are varied in type and size and are located in the Downtown and Haymarket areas, North 27<sup>th</sup> Street and Havelock business areas, Focus Area neighborhoods, the South Capitol blight area, the Antelope Valley project area, West O, and in low-moderate income neighborhoods throughout the City.

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

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

Ongoing and anticipated projects include:

- Downtown Redevelopment Projects:
  - 1) Block 38 Catalyst One site.
  - 2) Civic Plaza project.
  - 3) West Haymarket Residential/Retail/Hotel project.
  - 4) North Haymarket Arts & Humanities Block.
  - 5) Block 85.
  - 6) Construction of Haymarket area parking garage.
  - 7) Telesis/Meadow Gold project.
  - 8) Haymarket Hotel and Tool House.
  - 9) N Street Corridor planning.
  - 10) P Street Retail Corridor planning.
  - 11) Centennial Mall project.
  - 12) 17<sup>th</sup> & Q/Credit Union project.
  - 13) Replace downtown meters with advanced technology.
- North 27<sup>th</sup> Street redevelopment efforts are focusing on the acquisition of blighted properties and assembly for redevelopment and new housing construction.
- Antelope Valley Redevelopment Projects:
  - 1) Plaza Parkway Triangle, phase 1 – Assurity project site.
  - 2) 19th & K - WJS project site.
  - 3) 23<sup>rd</sup> & P – Antelope Creek Village.
- Havelock Redevelopment on-going projects include streetscape improvements, commercial building facade improvements, and park improvements.
- University Place redevelopment of the former Green’s Plumbing site.
- West O Street redevelopment projects and historic DLD marker project.
- NW Corridor redevelopment (West Cornhusker Highway).
- Innovation Campus redevelopment.
- 84<sup>th</sup> and Havelock redevelopment.
- South Capitol redevelopment.
- 56<sup>th</sup> and Arbor Road redevelopment.
- Focus area projects in Malone and South Capitol.
- 11<sup>th</sup> Street streetscape.
- Prescott Street streetscape, 47<sup>th</sup> to 48<sup>th</sup>.
- Housing rehabilitation programs for quality, affordable housing and home ownership:
  - 1) Continuation of First-time Homebuyer and Owner-Occupied Housing Rehabilitation Loan programs.
  - 2) Partner with NeighborWorks-Lincoln for their Home Ownership Zone in Antelope Valley.
  - 3) Partner with other non-profit and for-profit housing organizations for affordable housing projects in low-to-moderate income neighborhoods under the Mayor’s Stronger Safer Neighborhoods Program.
  - 4) Manage the local affordable housing effort made possible by Federal Economic Stimulus Programs.
- Real estate major acquisition, negotiation and relocation projects:
  - 1) For effective transportation:
    - ✓ Antelope Valley transportation projects.
    - ✓ Antelope Valley redevelopment plan catalyst projects.
    - ✓ West Haymarket transportation projects.
    - ✓ Yankee Hill Roadway, 70<sup>th</sup> to 84<sup>th</sup> Street.
    - ✓ SW 40<sup>th</sup> Street overpass.
    - ✓ 14<sup>th</sup> Street, Superior to Alvo Road.
    - ✓ 56<sup>th</sup> Street, Old Cheney to Shadow Pines.
    - ✓ Coddington & West Van Dorn intersection improvements.
    - ✓ Old Cheney Road, 70<sup>th</sup> to 84<sup>th</sup> Street.
    - ✓ Pine Lake Road, 59<sup>th</sup> to Hwy 2.
    - ✓ 14<sup>th</sup> & Cornhusker Hwy safety project.
    - ✓ North 1<sup>st</sup> Street, Cornhusker Hwy to Superior Street.
    - ✓ RTSD Quiet Zone project.
    - ✓ East Beltway preliminary acquisitions.
    - ✓ South Beltway preliminary acquisitions.
    - ✓ 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.
  - ✓ Stevens Creek sanitary sewer Phase III, IV & V.
  - ✓ Yankee Hill water main, 56<sup>th</sup> to 84<sup>th</sup> Street.
  - ✓ 98<sup>th</sup> Street water main, Holdrege to Alvo.
- 3) Relocation activities:
  - ✓ North 27<sup>th</sup> Street projects.
  - ✓ West Haymarket projects.
  - ✓ Antelope Valley projects.

- ✓ 56<sup>th</sup> & Arbor Road sewer and water district projects.
- ✓ Conservation easements and wetlands acquisitions.
- ✓ Additional projects made possible by Federal Infrastructure Stimulus funds.

- Workforce Investment Act funds received by the City provide employment skills to low-income adults and youth and also to individuals laid-off from area employers. Funding is provided for GED, Adult Education and Literacy Activities, secondary and post-secondary education, and placement in work experience and On-the-Job Training with an emphasis on high wage and high demand occupations.

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

Examples of specialized projects this year include:

- 1) "The Metro SyNERgy" project in Lincoln and Omaha providing green building technology to unemployed and incumbent workers.
- 2) A specialized work readiness class for youth which combines literacy and numeracy training, GED preparation and work readiness curriculum done in collaboration with Southeast Community College.
- 3) Regional Innovation Network fostering collaboration of education, economic development and workforce development leaders in a twelve county southeast Nebraska area focusing training and job placement efforts to the target industries of:
  - ✓ Agriculture & Life Sciences.
  - ✓ Advanced Manufacturing.
  - ✓ Transportation & Logistics.
  - ✓ Health Services, and Business Services & Information Technology.

### West Haymarket Project

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

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

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

### Antelope Valley Project

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

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

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

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

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

### Wastewater System

The Lincoln Wastewater System is projecting a capital improvements program in the amount of approximately \$61,738,000 over the 6-year period of fiscal year 2011-12 through fiscal year 2016-17. Of that total, approximately \$29,685,000 will be financed by revenue bonds, approximately \$4,470,500 will be financed by impact fees, \$640,000 from TIF funding, with the remaining \$26,942,500 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 \$61,380,000 over the 6-year period of fiscal year 2011-12 through 2016-17. Of these dollars, approximately \$20,575,000 will be financed through revenue bonds, approximately \$4,510,000 will be financed from TIF funding, approximately \$5,900,000 will be financed through impact fees, with the balance of \$30,395,000 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 2012-2017 Streets and Highways capital improvements program and Transportation improvement program identify average annual expenditures of \$26 million for the next six years. Funding for these projects includes \$102 million in City revenues, \$33 million in federal aid, and \$21 million in other funds.

Infrastructure Impact Fees

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

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

Pension Costs

The City currently contributes \$2 for every \$1 contributed by employees in the civilian retirement plans. In an effort to control this significant budget item, the City and three of four civilian unions, as well as non union employees which includes Department Directors and Mayoral Aides, have agreed to change these plans to a \$1.29 to \$1 match for new employees hired after the effective date. The City is unable to legally change the match for current employees. The City anticipates saving 20 to 25 percent in retirement costs for each employee hired under this new arrangement.

Property Tax Collections

As of August 31, 2011, current tax collections by the County Treasurer were 96.69% of the tax levy, a decrease of .20% from last year. Allocations of property tax levy by purpose are as follows:

<u>City Tax Levy by Purpose</u>	<u>2010-2011</u>	<u>2009-2010</u>	<u>2008-2009</u>
General Fund	.1739	.1772	.1806
Library	.0398	.0398	.0396
Social Security	.0141	.0097	.0129
Police and Fire Pension	.0261	.0251	.0201
General Obligation Debt	<u>.0340</u>	<u>.0361</u>	<u>.0347</u>
	<u>.2879</u>	<u>.2879</u>	<u>.2879</u>

Parking Facilities

The City of Lincoln operates the following parking garages:

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

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

Revenue generated by the parking facilities and on-street parking meters, as well as unappropriated street construction funds, are pledged for debt service of the 2001 Parking Revenue Bonds, the 2010B Parking

Revenue Bonds, and the 2011 Parking Revenue and Refunding Bonds. Comparative data for the past two fiscal years are presented in the following table:

	<u>2010-2011</u>	<u>2009-2010</u>
Operating Revenues	\$ 7,124,602	6,747,738
Operating Income Before Depreciation	3,518,594	3,407,137
Debt Service	1,944,138	1,998,056
Debt Service Coverage Ratio	1.81	1.71

### **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, 2011, the City estimates that it will incur costs approximating \$21 million to adhere to such requirements (see Note 18 of Notes to the Financial Statements).

### **Water and Wastewater System**

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

<u>Wastewater System</u>	<u>2010-2011</u>	<u>2009-2010</u>
Operating Revenues	\$22,973,653	21,703,427
Operating Income	3,301,436	2,875,498
Revenue Available For Debt Service	11,002,406	10,807,502
Debt Service	6,512,609	6,426,444
Debt Service Coverage Ratio	1.69	1.68

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

<u>Water System</u>	<u>2010-2011</u>	<u>2009-2010</u>
Operating Revenues	\$28,559,484	25,135,127
Operating Income	5,459,411	3,881,476
Revenue Available For Debt Service	15,174,479	12,424,175
Debt Service	9,501,857	9,508,097
Debt Service Coverage Ratio	1.60	1.31

### **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, 2010, is included in the City's August 31, 2011, 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, 2010. This was the twenty-eighth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

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

**Acknowledgments**

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Steve Hubka".

Steve Hubka  
Interim Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lincoln  
Nebraska

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
August 31, 2010

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.



*Linda C. Davison*

President

*Jeffrey R. Emer*

Executive Director



# **FINANCIAL SECTION**

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lincoln, Nebraska (the City) as of and for the year ended August 31, 2011, which collectively comprise the City of Lincoln's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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%, 34% and 78%, 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, 2010, and in our report dated February 23, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

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

In our opinion, based on our audit and the report of other accountants, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lincoln, Nebraska as of August 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and street construction fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, in 2011 the City changed its method of accounting for fund balances through retroactive application to prior year's financial statements.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying introductory section as listed in the table of contents 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 17, 2012



## **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, 2011. 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, 2011, by \$1,599,891,832 (net assets). Of this amount, \$321,043,795 (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 \$53,322,049. Of this amount, \$27,824,537, or 52 percent, was an increase in governmental activities and \$25,497,512, or 48 percent, related to business-type activities.
- As of August 31, 2011, the City's governmental funds reported combined ending fund balances of \$426,496,342, an increase of \$239,607,770 in comparison with the prior year. Of this total fund balance, 12 percent, or \$50,502,001, is available for spending at the City's discretion (unrestricted fund balance).
- As of August 31, 2011, unrestricted fund balance for the general fund was \$29,336,927, or 27 percent of total general fund expenditures. Due to the implementation of GASB Statement No. 54, reference must be made to page 76 of this report for an accurate comparison with the prior year balance.
- The City's total bonded debt increased by \$287,585,000 (33 percent) during the current fiscal year. The West Haymarket Joint Public Agency (JPA) issued \$300,000,000 of bonded debt in the current year.

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

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

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

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

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

The statement of activities presents information showing how the City's net assets changed during the year ended August 31, 2011. 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-one individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, the Street Construction fund, and the West Haymarket JPA fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-70 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 71 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 \$1,599,891,832 at August 31, 2011.

By far the largest portion of the City’s net assets (63 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, 2011 and 2010**

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and Other Assets	\$ 651,101,529	398,115,532	247,265,929	246,650,963	898,367,458	644,766,495
Capital Assets	713,530,269	622,796,373	1,437,335,316	1,417,922,340	2,150,865,585	2,040,718,713
Total Assets	<u>1,364,631,798</u>	<u>1,020,911,905</u>	<u>1,684,601,245</u>	<u>1,664,573,303</u>	<u>3,049,233,043</u>	<u>2,685,485,208</u>
Long-Term Liabilities Outstanding	504,062,995	189,192,032	766,638,529	773,188,114	1,270,701,524	962,380,146
Other Liabilities	22,171,662	21,147,269	156,468,025	155,388,010	178,639,687	176,535,279
Total Liabilities	<u>526,234,657</u>	<u>210,339,301</u>	<u>923,106,554</u>	<u>928,576,124</u>	<u>1,449,341,211</u>	<u>1,138,915,425</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	386,451,715	482,099,420	622,950,944	598,053,416	1,009,402,659	1,080,152,836
Restricted	235,695,091	121,155,820	33,750,287	37,040,667	269,445,378	158,196,487
Unrestricted	216,250,335	207,317,364	104,793,460	100,903,096	321,043,795	308,220,460
Total Net Assets	<u>\$ 838,397,141</u>	<u>810,572,604</u>	<u>761,494,691</u>	<u>735,997,179</u>	<u>1,599,891,832</u>	<u>1,546,569,783</u>

An additional portion of the City’s net assets (17 percent) represents resources that are subject to external restrictions on their use. The remaining balance of unrestricted net assets (20 percent) may be used to meet the government’s ongoing obligations to citizens and creditors.

At August 31, 2011, 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, 2011 and 2010**

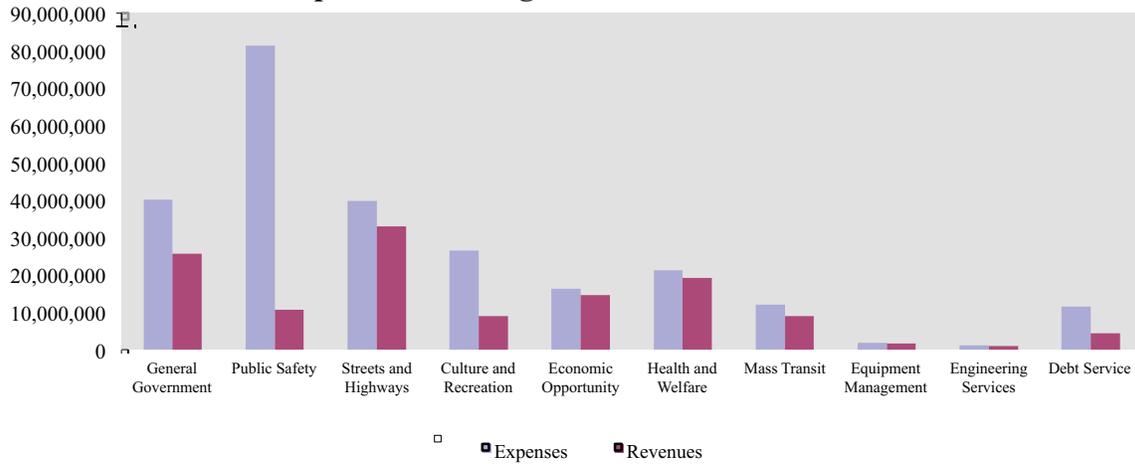
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for Services	\$ 46,426,307	41,701,425	335,205,232	313,690,349	381,631,539	355,391,774
Operating Grants and Contributions	73,594,748	55,013,696	-	-	73,594,748	55,013,696
Capital Grants and Contributions	7,982,667	16,171,192	4,645,062	5,767,531	12,627,729	21,938,723
General Revenues:						
Property Tax	48,621,668	48,637,701	-	-	48,621,668	48,637,701
Sales and Use Tax	57,996,100	55,362,688	-	-	57,996,100	55,362,688
Occupation Tax	20,403,399	10,847,214	2,059,361	1,984,400	22,462,760	12,831,614
Other Taxes	16,378,863	15,821,171	-	-	16,378,863	15,821,171
Unrestricted Grants and Contributions	1,927,588	2,006,071	-	-	1,927,588	2,006,071
Unrestricted Investment Earnings	1,370,358	1,926,976	1,564,708	1,673,103	2,935,066	3,600,079
Other	2,309,497	793,365	343,835	893,109	2,653,332	1,686,474
Total Revenues	<u>277,011,195</u>	<u>248,281,499</u>	<u>343,818,198</u>	<u>324,008,492</u>	<u>620,829,393</u>	<u>572,289,991</u>
Expenses:						
General Government	40,059,839	36,991,820	-	-	40,059,839	36,991,820
Public Safety	81,218,142	75,364,591	-	-	81,218,142	75,364,591
Streets and Highways	39,840,551	38,150,193	-	-	39,840,551	38,150,193
Culture and Recreation	26,578,448	25,713,710	-	-	26,578,448	25,713,710
Economic Opportunity	16,336,855	17,198,314	-	-	16,336,855	17,198,314
Health and Welfare	21,153,869	20,840,847	-	-	21,153,869	20,840,847
Mass Transit	12,007,410	11,198,681	-	-	12,007,410	11,198,681
Equipment Management	1,882,136	1,767,774	-	-	1,882,136	1,767,774
Engineering Services	1,219,084	829,470	-	-	1,219,084	829,470
Interest on Long-Term Debt	11,568,353	6,373,674	-	-	11,568,353	6,373,674
Parking	-	-	5,632,973	5,475,157	5,632,973	5,475,157
Golf Courses	-	-	3,414,074	3,165,446	3,414,074	3,165,446
Auditorium	-	-	2,202,234	2,243,518	2,202,234	2,243,518
Solid Waste Management	-	-	8,490,392	10,607,775	8,490,392	10,607,775
Ambulance Transport	-	-	3,940,669	3,819,895	3,940,669	3,819,895
Wastewater	-	-	23,135,157	22,265,579	23,135,157	22,265,579
Water	-	-	26,084,158	23,469,948	26,084,158	23,469,948
Electric	-	-	242,743,000	229,241,000	242,743,000	229,241,000
Total Expenses	<u>251,864,687</u>	<u>234,429,074</u>	<u>315,642,657</u>	<u>300,288,318</u>	<u>567,507,344</u>	<u>534,717,392</u>
Increase in Net Assets Before Transfers	25,146,508	13,852,425	28,175,541	23,720,174	53,322,049	37,572,599
Transfers	2,678,029	2,581,647	(2,678,029)	(2,581,647)	-	-
Increase in Net Assets	<u>27,824,537</u>	<u>16,434,072</u>	<u>25,497,512</u>	<u>21,138,527</u>	<u>53,322,049</u>	<u>37,572,599</u>
Net Assets - Beginning	810,572,604	794,138,532	735,997,179	714,858,652	1,546,569,783	1,508,997,184
Net Assets - Ending	<u>\$ 838,397,141</u>	<u>810,572,604</u>	<u>761,494,691</u>	<u>735,997,179</u>	<u>1,599,891,832</u>	<u>1,546,569,783</u>

**GOVERNMENTAL ACTIVITIES**

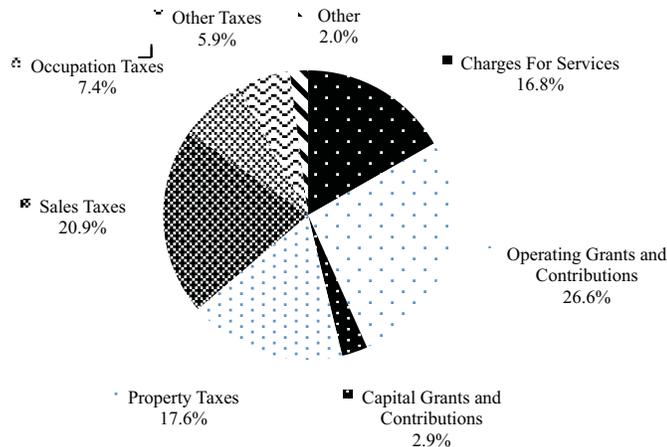
Governmental activities increased the City's net assets by \$27,824,537, accounting for 52 percent of the total growth in the net assets of the City of Lincoln. Key elements of this increase are as follows:

- The City's current year contribution to the Joint Antelope Valley Authority amounted to \$6,462,467, of which a significant portion is federally funded.
- Sales taxes increased by approximately \$2.6 million (4.8 percent) during 2011 after showing an increase of 1.9 percent in the prior year.
- Occupation taxes increased by approximately \$9.5 million (88 percent) in the current year with the January, 2011 imposition of a 2 percent tax on bar and restaurant revenues and a 4 percent tax on car rental and hotel revenues, to be used to finance the JPA activities and repayment of the Agency's outstanding debt.

## Expenses and Program Revenues - Governmental Activities



## Revenues By Source - Governmental Activities



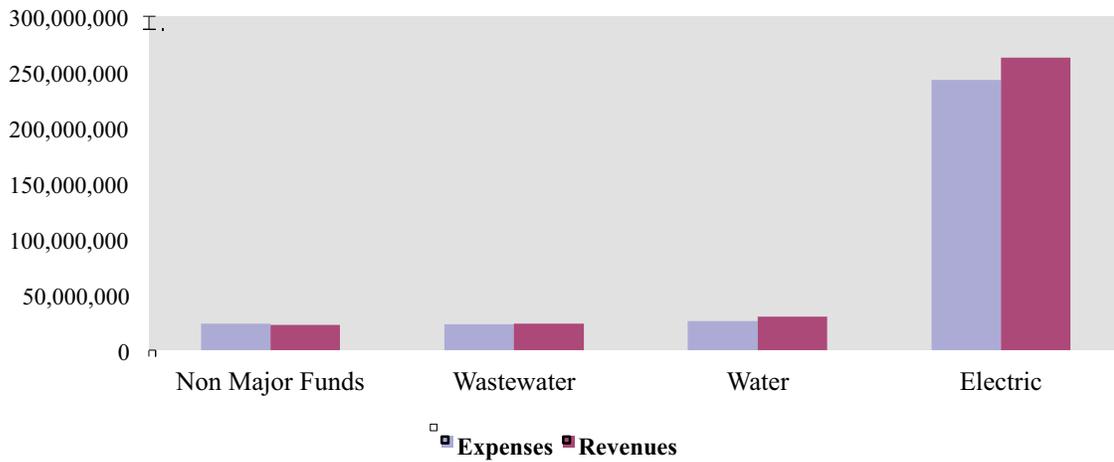
### BUSINESS-TYPE ACTIVITIES

Business-type activities increased the City's net assets by \$25,497,512, accounting for 48 percent of the total growth in the government's net assets. Key elements of this increase are as follows:

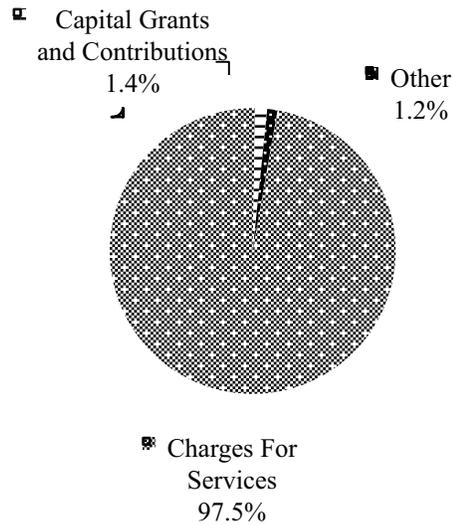
- Water System operating revenues increased by \$3,424,357 (13.6 percent) from 2010. Effective February, 2011, there was a 5% user fee increase and metered sales were up 8 percent due to a dry fall and spring. Operating expense increased \$1,846,422 (8.7 percent) due to increased personnel, energy and chemical costs.
- Wastewater System operating revenues increased \$1,270,226 (5.9 percent) primarily due to a 5% user fee increase implemented with the billings starting in February, 2011. Sanitary sewer bills for residential customers are based on water usage during a two-month period during the winter and remain the same over the balance of the following ten-month period. Non-residential customers are billed for sanitary sewer based on their monthly water usage. Operating expenses increased \$844,288 (4.5 percent) due to increased personnel and chemical costs.

- Lincoln Electric System operating revenue in 2010 was 6% higher than 2009. Retail revenue was 8 percent higher due to the impact of a 2.4 percent increase on January 1, 2010 and energy sales were up compared to the mild summer weather in 2009. Wholesale revenue increased 1 percent due to higher prices although energy sales decreased 8 percent.
- LES recorded capital contributions of \$1.7 million.
- Lincoln Water and Wastewater Systems reported capital contributions of approximately \$1.9 million and \$1.1 million, respectively.
- Lincoln Water and Wastewater Systems reported increased losses in nonoperating activities in 2011 due to higher interest expense and the reduction of interest income and insurance recoveries, 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, 2011, the City's governmental funds reported combined ending fund balances of \$426,496,342, an increase of \$239,607,770 in comparison with the prior year. Of this total amount, 12 percent constitutes unrestricted fund balance, which is available for spending at the City's discretion. The remainder of fund balance is restricted to indicate that it is not available for new spending because it has already been committed to:

- long-term loans receivable (\$19,837,000),
- pay debt service (\$16,060,411),
- capital construction and acquisition (\$252,381,333),
- West Haymarket Joint Public Agency activities (\$9,640,388),
- donor and grantor purposes (\$5,832,975),
- generating income for the purpose of funding health and health-related programs for the citizens of Lincoln (\$56,077,332), and
- a variety of other purposes (\$16,164,902).

The General Fund is the chief operating fund of the City. At August 31, 2011, the unrestricted fund balance of the General Fund was \$29,336,927, while total fund balance reached \$41,753,836. As a measure of the General Fund's liquidity, it may be useful to compare both unrestricted fund balance and total fund balance to total fund expenditures. Unrestricted fund balance represents 27 percent of total general fund expenditures, while total fund balance represents 38 percent of that same amount.

The fund balance of the City's General Fund increased by \$2,910,783 during 2011. For the current fiscal year, appropriated General fund balance, used as a funding source for the budget increased only 2.8 percent over 2010. General Fund balances as a future funding source are projected to decrease as the City reduces balances, measured at year end, to a goal of 15% of the projected General Fund budget five years in the future.

The Street Construction Fund had a total fund balance of \$36,478,568, which is to be used in the construction and maintenance of street and highways. The net increase in fund balance during 2011 in the Street Construction Fund was \$4,150,021, the result of changes in the demand for JAVA funding.

The West Haymarket JPA Fund had a fund balance of \$225,432,904 which is to be used for funding improvements of the West Haymarket Redevelopment Project. This balance is the result of the settlement of \$300,000,000 in current year bonds.

### **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 \$18,186,672, \$14,313,737, \$75,913,000 and \$(180,020), respectively, at August 31, 2011 (December 31, 2010 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 (decrease of \$(244,236) in appropriations) and can be briefly summarized as follows:

- \$(1,878,951) in miscellaneous changes in general government activities.
- \$1,054,839 in increases allocated to public safety.
- \$32,191 in increases to streets & highways.
- \$65,859 in increases allocated to parks and recreation.
- \$481,826 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:

- \$2,181,663 positive variance in real estate and personal property tax. Actual property collections were 96.69% of the 2010 levy, while estimated tax revenue is based on 90% collections as provided by the City Charter.
- \$1,642,531 positive variance in sales tax receipts. Collections exceeded projections that were based on prior years activity.
- \$1,996,370 positive variance in miscellaneous general government expenditures. Significant savings were realized in several service line items that are reappropriated to cover ongoing future expenditures.
- \$(1,140,687) 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, 2011, amounts to \$2,150,865,585 (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 2011 was 5.40 percent (a 14.57 percent increase for governmental activities and a 1.37 percent increase for business-type activities).

Major capital asset events during 2011 included the following:

- A variety of street construction widening and expansion projects for existing streets and bridges continued. Along with new construction of streets and drainage projects, construction-in-progress of infrastructure as of August 31, 2011 reached \$88,140,000.
- The City's bus system, StarTran, purchased thirteen new buses at a cost of \$4,642,638.
- The West Haymarket Joint Public Agency (JPA) has investment in capital assets of \$80,856,914, which includes roads and utility work, arena design and initial construction, site preparation, land purchases, and environmental remediation.
- The City parking system's continued investment in a new downtown parking garage reached approximately \$8.6 million.

**City Of Lincoln**  
**Capital Assets (net of depreciation)**  
**August 31, 2011 and 2010**

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 69,850,907	63,866,125	24,144,286	21,950,552	93,995,193	85,816,677
Buildings	49,744,391	45,950,230	122,650,291	126,543,523	172,394,682	172,493,753
Improvements Other Than Buildings	37,876,916	38,189,441	445,301,114	446,114,577	483,178,030	484,304,018
Machinery and Equipment	35,685,017	31,600,937	11,894,995	12,232,011	47,580,012	43,832,948
Utility Plant	-	-	753,770,000	760,709,000	753,770,000	760,709,000
Infrastructure	352,448,061	354,568,639	-	-	352,448,061	354,568,639
Construction-in-progress	167,924,977	88,621,001	79,574,630	50,372,677	247,499,607	138,993,678
Total	\$ 713,530,269	622,796,373	1,437,335,316	1,417,922,340	2,150,865,585	2,040,718,713

Additional information on the City's capital assets can be found in Note 7 of the notes to the financial statements on pages 46-48 of this report.

**LONG-TERM DEBT**

At August 31, 2011, the City of Lincoln had total bonded debt outstanding of \$1,158,233,000. Of this amount, \$419,663,000 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, 2011 and 2010**  
(dollar amounts in thousands)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds	\$ 419,663	118,383	-	-	419,663	118,383
Tax Supported Bonds	5,920	6,605	-	-	5,920	6,605
Revenue Bonds	-	-	732,650	745,660	732,650	745,660
Total	\$ 425,583	124,988	732,650	745,660	1,158,233	870,648

The City's total bonded debt increased by \$287,585,000 (33 percent) during the current fiscal year. This significant increase was the result of the JPA issuance of \$300,000,000 in bonds to fund a portion of the Agency's construction costs.

The City maintains the following credit ratings:

	Moody's Investors Service	Standard And Poor's	Fitch Investors Service
General Obligation Bonds	Aaa	AAA	-
West Haymarket JPA Bonds	Aa1	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	A1	A	-
Lincoln Electric System Revenue Bonds	Aa2	AA	AA
2005 Revenue Bonds			
FSA insured	-	AAA	AAA
2007 Revenue Bonds			
FGIC insured	Aaa	AAA	AAA
Commercial Paper – tax exempt	-	A1+	F1+

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

Additional information on the City's long-term debt can be found in Note 9 of the notes to the financial statements on pages 50-55 of this report.

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

- Property tax revenue required to fund the 2012 budget increased \$4,046,259 or 9.83 percent from the prior year. Total change in the tax base is estimated at .12 percent, with an increase to the tax rate from .28788 to .31580, an increase of 9.7 percent over the prior year.
- The adequacy of fees charged for City service cost recovery is examined each year and some fee increases are included in each annual budget. Without periodic increases in fees, amounts collected, or other revenue adjustments, inflationary and other cost increases would need to be covered by additional property tax revenue or the levels of service provided would need to be reduced. Revenue adjustments in 2012 include a "Return on Equity" payment from LES estimated at \$5,896,643.
- An increase of \$1,376,028 in funding for the Police and Fire Pension Plan was added to fund normal cost and to provide resources to amortize the unfunded actuarial liability.
- Sales tax collections for 2011 finished 2.92 percent ahead of projections. 2012 projections reflect a 1.20 percent increase over 2011 actual collections.
- The governor and state legislature eliminated in lieu of tax payments (State Aid) to municipalities, which results in a revenue decrease to the City of \$1,840,672.
- Staffing changes included in the 2011-2012 budget result in a decrease for all funds of 16.18 full-time equivalents.

All of these factors were considered in preparing the City's budget for the 2012 fiscal year.

### **REQUESTS FOR INFORMATION**

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

## **BASIC FINANCIAL STATEMENTS**

**CITY OF LINCOLN, NEBRASKA**  
**STATEMENT OF NET ASSETS**  
AUGUST 31, 2011

With Summarized Financial Information as of August 31, 2010

	Governmental Activities	Business-Type Activities	Totals	
			2011	2010
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 145,984,381	24,986,970	170,971,351	82,317,793
Investments	236,874,740	47,925,521	284,800,261	148,704,783
Invested Securities Lending Collateral	-	-	-	1,025,994
Receivables, (Net of Allowance for Uncollectibles)	33,828,857	46,178,527	80,007,384	70,968,173
Internal Balances	(1,351,694)	1,351,694	-	-
Due from Other Governments	29,415,277	4,305	29,419,582	27,971,533
Inventories	2,221,408	15,591,515	17,812,923	19,046,403
Plant Operation Assets	-	13,070,000	13,070,000	14,091,000
Prepaid Items	700,370	1,131,985	1,832,355	1,828,168
Deferred Charges and Other Assets	6,162,166	12,745,574	18,907,740	16,633,543
Restricted Assets:				
Cash and Cash Equivalents	1,051,780	15,907,805	16,959,585	18,790,915
Investments	37,160,000	68,149,585	105,309,585	90,547,696
Receivables	-	222,448	222,448	248,717
Investment in Joint Venture	159,054,244	-	159,054,244	152,591,777
Capital Assets:				
Non-depreciable	237,775,884	103,718,916	341,494,800	224,810,355
Depreciable (Net)	475,754,385	1,333,616,400	1,809,370,785	1,815,908,358
<b>Total Assets</b>	<b>1,364,631,798</b>	<b>1,684,601,245</b>	<b>3,049,233,043</b>	<b>2,685,485,208</b>
<b>LIABILITIES</b>				
Accounts Payable and Other Current Liabilities	12,214,633	42,253,871	54,468,504	51,829,414
Accrued Liabilities	4,837,343	13,043,745	17,881,088	17,237,929
Due to Other Governments	610,824	153,941	764,765	819,392
Unearned Revenue	496,679	935,274	1,431,953	1,624,367
Obligations under Securities Lending	-	-	-	1,025,994
Notes Payable	-	90,000,000	90,000,000	92,000,000
Accrued Interest Payable	4,012,183	10,081,194	14,093,377	11,998,183
Noncurrent Liabilities:				
Payable within One Year	25,159,509	33,747,222	58,906,731	55,039,710
Payable in More Than One Year	478,903,486	732,891,307	1,211,794,793	907,340,436
<b>Total Liabilities</b>	<b>526,234,657</b>	<b>923,106,554</b>	<b>1,449,341,211</b>	<b>1,138,915,425</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	386,451,715	622,950,944	1,009,402,659	1,080,152,836
Restricted for:				
Debt Service, Net of Related Debt	7,806,827	29,008,060	36,814,887	34,868,834
Capital Projects	127,992,825	1,255,350	129,248,175	42,516,324
Grantor Loan Programs	19,837,000	-	19,837,000	19,566,000
Other	22,167,162	3,486,877	25,654,039	6,291,153
Trust Donations:				
Expendable	1,653,945	-	1,653,945	1,723,206
Nonexpendable	160,000	-	160,000	160,000
Health Care:				
Expendable	19,077,332	-	19,077,332	16,070,970
Nonexpendable	37,000,000	-	37,000,000	37,000,000
Unrestricted	216,250,335	104,793,460	321,043,795	308,220,460
<b>Total Net Assets</b>	<b>\$ 838,397,141</b>	<b>761,494,691</b>	<b>1,599,891,832</b>	<b>1,546,569,783</b>

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

**CITY OF LINCOLN, NEBRASKA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED AUGUST 31, 2011**  
 With Summarized Financial Information for the Year Ended August 31, 2010

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Business-Type Activities	Totals	
			Grants and Contributions	Grants and Contributions			2011	2010
<b>Governmental Activities:</b>								
General Government	\$ (40,059,839)	21,544,375	3,109,155	1,021,934	(14,384,375)	-	(14,384,375)	(12,962,697)
Public Safety	(81,218,142)	5,730,687	4,675,131	289,798	(70,522,526)	-	(70,522,526)	(65,685,813)
Streets and Highways	(39,840,551)	4,087,358	24,184,766	4,612,774	(6,955,653)	-	(6,955,653)	(6,559,985)
Culture and Recreation	(26,578,448)	4,114,179	2,880,002	1,945,724	(17,638,543)	-	(17,638,543)	(18,787,660)
Economic Opportunity	(16,336,855)	2,269,303	12,371,743	-	(1,695,809)	-	(1,695,809)	(3,852,201)
Health and Welfare	(21,153,869)	4,435,710	14,815,283	-	(1,902,876)	-	(1,902,876)	(3,537,257)
Mass Transit	(12,007,410)	1,619,140	7,268,943	-	(3,119,327)	-	(3,119,327)	(4,463,659)
Equipment Management	(1,882,136)	1,626,131	-	5,000	(251,005)	-	(251,005)	(416,580)
Engineering Services	(1,219,084)	995,088	-	5,135	(218,861)	-	(218,861)	(27,929)
Interest on Long-Term Debt	(11,568,353)	4,336	4,289,725	102,302	(7,171,990)	-	(7,171,990)	(5,248,980)
<b>Total Governmental Activities</b>	<b>(251,864,687)</b>	<b>46,426,307</b>	<b>73,594,748</b>	<b>7,982,667</b>	<b>(123,860,965)</b>	<b>-</b>	<b>(123,860,965)</b>	<b>(121,542,761)</b>
<b>Business-Type Activities:</b>								
Parking Lots	(313,810)	363,002	-	-	-	49,192	49,192	82,370
Golf	(3,414,074)	2,759,810	-	-	-	(654,264)	(654,264)	(373,791)
Parking Facilities	(5,319,163)	7,573,805	-	4,583	-	2,259,225	2,259,225	1,658,166
Municipal Auditorium	(2,202,234)	1,606,199	-	-	-	(596,035)	(596,035)	(648,807)
Solid Waste Management	(8,490,392)	5,555,135	-	-	-	(2,935,257)	(2,935,257)	(5,294,467)
Emergency Medical Services	(3,940,669)	4,565,087	-	-	-	624,418	624,418	595,929
Wastewater System	(23,135,157)	22,931,019	-	1,081,660	-	877,522	877,522	1,283,437
Water System	(26,084,158)	28,474,175	-	1,905,819	-	4,295,836	4,295,836	3,443,725
Electric System	(242,743,000)	261,377,000	-	1,653,000	-	20,287,000	20,287,000	18,423,000
<b>Total Business-Type Activities</b>	<b>(315,642,657)</b>	<b>335,205,232</b>	<b>-</b>	<b>4,645,062</b>	<b>-</b>	<b>24,207,637</b>	<b>24,207,637</b>	<b>19,169,562</b>
<b>Total</b>	<b>\$ (567,507,344)</b>	<b>381,631,539</b>	<b>73,594,748</b>	<b>12,627,729</b>	<b>(123,860,965)</b>	<b>24,207,637</b>	<b>(99,653,328)</b>	<b>(102,373,199)</b>
<b>General Revenues:</b>								
Property Tax					48,621,668	-	48,621,668	48,637,701
Motor Vehicle Tax					4,284,369	-	4,284,369	4,247,118
Wheel Tax					12,031,376	-	12,031,376	11,519,622
Sales and Use Tax					57,996,100	-	57,996,100	55,362,688
Sundry and In Lieu Tax					63,118	-	63,118	54,431
Occupation Tax					20,403,399	2,059,361	22,462,760	12,831,614
Unrestricted Grants and Contributions					1,927,588	-	1,927,588	2,006,071
Unrestricted Investment Earnings					1,370,358	1,564,708	2,935,066	3,600,079
Miscellaneous General Revenues					2,309,497	343,835	2,653,332	1,686,474
Transfers					2,678,029	(2,678,029)	-	-
<b>Total General Revenues and Transfers</b>					<b>151,685,502</b>	<b>1,289,875</b>	<b>152,975,377</b>	<b>139,945,798</b>
<b>Change in Net Assets</b>					<b>27,824,537</b>	<b>25,497,512</b>	<b>53,322,049</b>	<b>37,572,599</b>
<b>Net Assets - Beginning</b>					<b>810,572,604</b>	<b>735,997,179</b>	<b>1,546,569,783</b>	<b>1,508,997,184</b>
<b>Net Assets - Ending</b>					<b>\$ 838,397,141</b>	<b>761,494,691</b>	<b>1,599,891,832</b>	<b>1,546,569,783</b>

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

**CITY OF LINCOLN, NEBRASKA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**AUGUST 31, 2011**

	General Fund	Street Construction Fund	West Haymarket JPA Fund	Other Governmental Funds	Total
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 4,795,748	4,621,924	123,470,657	8,556,720	141,445,049
Investments	22,850,931	24,333,175	105,940,874	95,784,386	248,909,366
Receivables, (Net of Allowance for Uncollectibles)	5,712,901	1,585,226	1,780,646	24,471,836	33,550,609
Due from Other Funds	1,934,706	5,342,235	-	3,104,817	10,381,758
Due from Other Governments	10,290,493	11,044,205	1,622,007	6,199,809	29,156,514
Inventories	472,182	450,225	-	488,615	1,411,022
Prepaid Items	6,418,988	-	25,775	6,500	6,451,263
Total Assets	<u>52,475,949</u>	<u>47,376,990</u>	<u>232,839,959</u>	<u>138,612,683</u>	<u>471,305,581</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts Payable	934,612	1,342,342	6,481,111	1,888,683	10,646,748
Contracts Payable	-	146,436	-	324,019	470,455
Accrued Liabilities	2,508,561	159,527	-	1,640,023	4,308,111
Due to Other Funds	5,714,045	210,877	32,441	6,744,955	12,702,318
Due to Other Governments	150,093	26,595	-	253,376	430,064
Unearned Revenue	-	-	-	317,762	317,762
Deferred Revenue	1,414,802	9,012,645	893,503	4,612,831	15,933,781
Total Liabilities	<u>10,722,113</u>	<u>10,898,422</u>	<u>7,407,055</u>	<u>15,781,649</u>	<u>44,809,239</u>
Fund Balances:					
Nonspendable	6,891,170	450,225	25,775	37,655,115	45,022,285
Restricted	5,525,739	22,359,280	225,407,129	77,046,702	330,338,850
Committed	-	-	-	633,206	633,206
Assigned	13,750,394	13,669,063	-	7,636,067	35,055,524
Unassigned	15,586,533	-	-	(140,056)	15,446,477
Total Fund Balances	<u>41,753,836</u>	<u>36,478,568</u>	<u>225,432,904</u>	<u>122,831,034</u>	<u>426,496,342</u>
Total Liabilities and Fund Balances	<u>\$ 52,475,949</u>	<u>47,376,990</u>	<u>232,839,959</u>	<u>138,612,683</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	691,479,451
Investment in joint venture is not a financial resource and, therefore, is not reported in the funds.	159,054,244
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	15,933,781
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.	26,780,676
Accrued pension contribution, long-term construction contracts and other liabilities require the use of unavailable financial resources and, therefore, are not reported in the funds.	(5,096,424)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(476,250,929)
Net assets of governmental activities	<u>\$ 838,397,141</u>

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

**CITY OF LINCOLN, NEBRASKA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2011**

	General Fund	Street Construction Fund	West Haymarket JPA Fund	Other Governmental Funds	Total
<b>REVENUES</b>					
Taxes:					
Property	\$ 28,248,373	-	-	19,956,099	48,204,472
Motor Vehicle	4,284,369	-	-	-	4,284,369
Wheel	-	1,114,104	-	10,917,272	12,031,376
Sales and Use	57,996,100	-	-	-	57,996,100
Sundry and In Lieu	48,455	-	-	12,796	61,251
Occupation	13,282,814	-	7,653,744	-	20,936,558
Special Assessment	-	425	-	1,118,089	1,118,514
Intergovernmental	4,982,313	27,548,619	3,205,671	35,796,221	71,532,824
Permits and Fees	4,939,346	2,628,295	-	10,956,731	18,524,372
Reimbursement for Services	6,185,640	6,226	-	1,329,500	7,521,366
Program Income	-	-	944,303	273,633	1,217,936
Investment Earnings	156,933	(54,541)	-	5,352,485	5,454,877
Donations	726,335	75	-	1,259,271	1,985,681
Keno Proceeds	-	-	-	3,321,506	3,321,506
Miscellaneous	2,181,411	779,577	-	1,793,441	4,754,429
Total Revenues	<u>123,032,089</u>	<u>32,022,780</u>	<u>11,803,718</u>	<u>92,087,044</u>	<u>258,945,631</u>
<b>EXPENDITURES</b>					
Current:					
General Government	26,569,977	-	454,329	9,598,056	36,622,362
Public Safety	60,131,286	-	-	9,405,771	69,537,057
Streets and Highways	7,461,505	10,871,181	-	2,392	18,335,078
Culture and Recreation	11,628,899	-	-	10,165,686	21,794,585
Economic Opportunity	4,401,646	-	-	11,410,268	15,811,914
Health and Welfare	193,414	-	-	21,800,001	21,993,415
Mass Transit	-	-	-	15,088,883	15,088,883
Debt Service	6,806	-	10,801,422	15,631,234	26,439,462
Capital Outlay	-	24,110,113	77,310,392	8,160,545	109,581,050
Total Expenditures	<u>110,393,533</u>	<u>34,981,294</u>	<u>88,566,143</u>	<u>101,262,836</u>	<u>335,203,806</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>12,638,556</u>	<u>(2,958,514)</u>	<u>(76,762,425)</u>	<u>(9,175,792)</u>	<u>(76,258,175)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	6,889,394	12,003,923	-	24,966,938	43,860,255
Transfers Out	(16,360,654)	(4,945,556)	-	(19,805,398)	(41,111,608)
Issuance of Debt	-	-	300,000,000	9,663,000	309,663,000
Issuance of Refunding Debt	6,692,500	-	-	19,540,000	26,232,500
Premiums/Discounts on Debt Issued	(6,427)	-	4,669,860	1,091,787	5,755,220
Transfer To Bond Refunding Agent	(7,075,474)	-	-	(21,746,822)	(28,822,296)
Sale of Capital Assets	132,888	50,168	-	105,818	288,874
Total Other Financing Sources (Uses)	<u>(9,727,773)</u>	<u>7,108,535</u>	<u>304,669,860</u>	<u>13,815,323</u>	<u>315,865,945</u>
Net Change in Fund Balances	<u>2,910,783</u>	<u>4,150,021</u>	<u>227,907,435</u>	<u>4,639,531</u>	<u>239,607,770</u>
Fund Balances - Beginning of Year, Before Restatement	30,425,582	31,586,833	(2,474,531)	127,350,688	186,888,572
Adjustment for Implementation of GASB 54	8,417,471	741,714	-	(9,159,185)	-
Fund Balances - Beginning of Year, After Restatement	<u>38,843,053</u>	<u>32,328,547</u>	<u>(2,474,531)</u>	<u>118,191,503</u>	<u>186,888,572</u>
Fund Balances - Ending	<u>\$ 41,753,836</u>	<u>36,478,568</u>	<u>225,432,904</u>	<u>122,831,034</u>	<u>426,496,342</u>

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

**CITY OF LINCOLN, NEBRASKA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED AUGUST 31, 2011**

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

Net change in fund balances - total governmental funds	\$ 239,607,770
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.	83,105,689
The net effect of various miscellaneous transactions involving capital contributions is to increase net assets.	2,623,305
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds: change in revenues in fund statements previously recognized in the statement of activities.	1,580,917
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.	(298,039,633)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(3,736,004)
Changes in the net pension obligation and the net OPEB obligation do not represent financial activity in governmental funds.	(1,393,535)
Changes in the interest in the underlying net assets of the joint venture do not represent financial activity in governmental funds.	6,462,467
Internal service funds are used by management to charge the costs of certain services to individual funds. The net expense of the internal service funds is reported within governmental activities.	(2,386,439)
Change in net assets of governmental activities	\$ <u><u>27,824,537</u></u>

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

**CITY OF LINCOLN, NEBRASKA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)**  
**FOR THE YEAR ENDED AUGUST 31, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues:</b>				
Real Estate and Personal Property Tax	\$ 30,404,505	30,404,505	32,586,168	2,181,663
Taxes Collected by Others	56,317,014	56,317,014	57,959,545	1,642,531
Sundry Taxes and In Lieu	33,612	33,612	56,055	22,443
Occupation Taxes	11,764,425	11,764,425	11,982,166	217,741
Intergovernmental	3,813,352	3,813,352	3,457,174	(356,178)
Permits and Fees	3,258,531	3,258,531	3,190,409	(68,122)
Reimbursement for Services	2,989,874	2,989,874	2,848,361	(141,513)
Court Fees	594,000	594,000	596,781	2,781
Recreation Receipts	2,116,281	2,116,281	2,128,295	12,014
Investment Earnings	239,800	239,800	159,302	(80,498)
Donations	723,722	723,722	725,032	1,310
Rental Income	474,064	474,064	504,794	30,730
Miscellaneous	2,156,816	2,156,816	2,138,925	(17,891)
Total Revenues	<u>114,885,996</u>	<u>114,885,996</u>	<u>118,333,007</u>	<u>3,447,011</u>
<b>Expenditures:</b>				
<b>General Government:</b>				
Legislative	286,263	286,347	242,765	43,582
Executive	1,126,728	1,130,843	1,068,484	62,359
Financial Administration	2,764,538	2,756,371	2,508,454	247,917
Law	2,456,102	2,470,458	2,455,480	14,978
Personnel Administration	938,462	942,367	891,388	50,979
Planning and Zoning	1,851,122	1,861,681	1,831,188	30,493
Urban Development	897,704	989,714	774,367	215,347
Miscellaneous	20,520,692	18,524,879	16,528,509	1,996,370
Total General Government	<u>30,841,611</u>	<u>28,962,660</u>	<u>26,300,635</u>	<u>2,662,025</u>
<b>Public Safety:</b>				
Police	32,946,001	32,976,027	31,759,280	1,216,747
Fire	21,897,471	22,918,210	22,959,234	(41,024)
Traffic Engineering	1,568,249	1,572,323	1,520,663	51,660
Total Public Safety	<u>56,411,721</u>	<u>57,466,560</u>	<u>56,239,177</u>	<u>1,227,383</u>
<b>Streets and Highways:</b>				
Street Maintenance	2,656,242	2,688,433	2,242,639	445,794
Street Lighting	3,915,681	3,915,681	5,056,368	(1,140,687)
Total Streets and Highways	<u>6,571,923</u>	<u>6,604,114</u>	<u>7,299,007</u>	<u>(694,893)</u>
<b>Culture and Recreation:</b>				
Parks and Recreation	11,710,713	11,776,572	11,442,727	333,845
Libraries	200,603	200,603	200,603	-
Total Culture and Recreation	<u>11,911,316</u>	<u>11,977,175</u>	<u>11,643,330</u>	<u>333,845</u>
<b>Economic Opportunity:</b>				
Lincoln Area Agency on Aging	257,117	257,117	257,117	-
<b>Health and Welfare:</b>				
Lincoln/Lancaster County Health	205,472	205,472	205,472	-
<b>Debt Service:</b>				
Issuance and Management Costs	-	-	6,806	(6,806)
Total Expenditures	<u>106,199,160</u>	<u>105,473,098</u>	<u>101,951,544</u>	<u>3,521,554</u>
Excess of Revenues Over Expenditures	<u>8,686,836</u>	<u>9,412,898</u>	<u>16,381,463</u>	<u>6,968,565</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	10,541,594	10,541,594	6,663,814	(3,877,780)
Transfers Out	(25,137,193)	(25,619,019)	(20,827,281)	4,791,738
Proceeds from Issuance of Debt	6,692,500	6,692,500	6,692,500	-
Discount on Debt Issued	-	-	(6,427)	(6,427)
Transfer to Bond Refunding Agent	(7,068,178)	(7,068,178)	(7,068,178)	-
Sale of Capital Assets	95,006	95,006	132,889	37,883
Total Other Financing Sources (Uses)	<u>(14,876,271)</u>	<u>(15,358,097)</u>	<u>(14,412,683)</u>	<u>945,414</u>
Net Change in Fund Balances	(6,189,435)	(5,945,199)	1,968,780	7,913,979
Fund Balances - Beginning	<u>20,986,052</u>	<u>20,986,052</u>	<u>20,986,052</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 14,796,617</u>	<u>15,040,853</u>	<u>22,954,832</u>	<u>7,913,979</u>

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



**CITY OF LINCOLN, NEBRASKA**  
**STREET CONSTRUCTION FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)**  
**FOR THE YEAR ENDED AUGUST 31, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Wheel Tax	\$ 1,111,500	1,111,500	1,108,379	(3,121)
Special Assessment	-	-	425	425
Intergovernmental	9,044,276	9,044,276	17,601,301	8,557,025
Permits and Fees	-	-	280,049	280,049
Reimbursement for Services	400,000	400,000	6,136	(393,864)
Investment Earnings	50,000	50,000	118,426	68,426
Miscellaneous	-	-	20,620	20,620
Total Revenues	<u>10,605,776</u>	<u>10,605,776</u>	<u>19,135,336</u>	<u>8,529,560</u>
<b>Expenditures -- Streets and Highways:</b>				
Personal Services	5,554,680	5,554,680	5,831,956	(277,276)
Materials and Supplies	1,135,111	1,135,111	986,141	148,970
Other Services and Charges	4,317,182	4,310,110	4,100,647	209,463
Capital Outlay	87,127	112,127	40,820	71,307
Total Expenditures	<u>11,094,100</u>	<u>11,112,028</u>	<u>10,959,564</u>	<u>152,464</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(488,324)</u>	<u>(506,252)</u>	<u>8,175,772</u>	<u>8,682,024</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	12,040,822	12,040,822	12,040,822	-
Transfers Out	(4,945,556)	(4,945,556)	(4,945,556)	-
Sale of Capital Assets	-	-	50,168	50,168
Total Other Financing Sources (Uses)	<u>7,095,266</u>	<u>7,095,266</u>	<u>7,145,434</u>	<u>50,168</u>
Net Change in Fund Balances	6,606,942	6,589,014	15,321,206	8,732,192
Amount Budgeted on Project Basis	(11,512,649)	(11,512,649)	(11,512,649)	-
Fund Balances - Beginning	<u>29,269,106</u>	<u>29,269,106</u>	<u>29,269,106</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 24,363,399</u>	<u>24,345,471</u>	<u>33,077,663</u>	<u>8,732,192</u>

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

**CITY OF LINCOLN, NEBRASKA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**AUGUST 31, 2011**

	Business-Type Activities -- Enterprise Funds				Total	Governmental Activities -- Internal Service Funds
	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Other Enterprise Funds		
<b>ASSETS</b>						
<b>Current Assets:</b>						
Cash and Cash Equivalents	\$ 2,401,211	1,270,745	18,694,000	2,621,014	24,986,970	4,539,332
Investments	-	-	36,769,000	11,156,521	47,925,521	25,125,374
<b>Restricted Assets:</b>						
Cash and Cash Equivalents	-	-	11,909,000	181,964	12,090,964	1,051,780
Investments	-	-	3,328,000	-	3,328,000	-
Receivables, (Net of Allowance for Uncollectibles)	2,542,929	2,745,516	19,937,000	3,285,038	28,510,483	278,248
Unbilled Revenues	2,386,904	3,848,140	11,433,000	-	17,668,044	-
Due from Other Funds	1,214,046	314,208	-	509,284	2,037,538	1,935,140
Due from Other Governments	-	-	-	4,305	4,305	258,763
Inventories	65,504	932,633	14,385,000	208,378	15,591,515	810,386
Plant Operation Assets	-	-	13,070,000	-	13,070,000	-
Prepaid Expenses	-	-	1,072,000	59,985	1,131,985	385,407
Total Current Assets	<u>8,610,594</u>	<u>9,111,242</u>	<u>130,597,000</u>	<u>18,026,489</u>	<u>166,345,325</u>	<u>34,384,430</u>
<b>Noncurrent Assets:</b>						
<b>Restricted Assets:</b>						
Cash and Cash Equivalents	-	-	30,000	3,786,841	3,816,841	-
Investments	18,750,789	16,352,689	22,466,000	7,252,107	64,821,585	-
Receivables	124,867	89,967	-	7,614	222,448	-
Due from Other Funds	-	-	-	304,852	304,852	-
Total Restricted Assets	<u>18,875,656</u>	<u>16,442,656</u>	<u>22,496,000</u>	<u>11,351,414</u>	<u>69,165,726</u>	<u>-</u>
Deferred Charges	704,520	587,005	11,058,000	396,049	12,745,574	135,576
<b>Capital Assets:</b>						
Land	5,913,340	5,445,167	-	12,785,779	24,144,286	1,306,950
Buildings	75,384,901	67,363,431	-	50,839,978	193,588,310	5,639,207
Improvements Other Than Buildings	254,651,742	324,805,770	-	35,953,374	615,410,886	1,159,425
Machinery and Equipment	8,596,734	8,569,723	-	13,188,408	30,354,865	28,260,381
Utility Plant	-	-	1,224,514,000	-	1,224,514,000	-
Construction in Progress	6,189,533	1,511,081	58,267,000	13,607,016	79,574,630	388,182
Less Accumulated Depreciation	(97,384,087)	(109,692,686)	(470,744,000)	(52,430,888)	(730,251,661)	(20,839,627)
Total Capital Assets, Net	<u>253,352,163</u>	<u>298,002,486</u>	<u>812,037,000</u>	<u>73,943,667</u>	<u>1,437,335,316</u>	<u>15,914,518</u>
Total Noncurrent Assets	<u>272,932,339</u>	<u>315,032,147</u>	<u>845,591,000</u>	<u>85,691,130</u>	<u>1,519,246,616</u>	<u>16,050,094</u>
Total Assets	<u>281,542,933</u>	<u>324,143,389</u>	<u>976,188,000</u>	<u>103,717,619</u>	<u>1,685,591,941</u>	<u>50,434,524</u>
<b>LIABILITIES</b>						
<b>Current Liabilities:</b>						
Accounts Payable	319,901	449,849	13,920,000	4,300,121	18,989,871	1,097,429
Construction Contracts	1,996,813	2,169,341	-	-	4,166,154	-
Accrued Liabilities	473,855	763,871	11,469,000	337,019	13,043,745	419,431
Accrued Compensated Absences	364,696	427,699	-	315,275	1,107,670	773,045
Due to Other Funds	-	-	-	990,696	990,696	966,274
Due to Other Governments	-	-	-	153,941	153,941	570
Unearned Revenue	-	-	-	935,274	935,274	178,917
Claims	-	-	-	-	-	6,724,159
Accrued Interest	756,525	122,354	9,136,000	66,315	10,081,194	71,934
Commercial Paper Notes Payable	-	-	90,000,000	-	90,000,000	-
Current Portion of Capital Lease	-	-	-	258,306	258,306	117,597
Current Portion of Long-Term Debt	3,075,092	5,380,000	18,680,000	1,080,000	28,215,092	-
Other	-	-	23,264,000	-	23,264,000	-
Total Current Liabilities	<u>6,986,882</u>	<u>9,313,114</u>	<u>166,469,000</u>	<u>8,436,947</u>	<u>191,205,943</u>	<u>10,349,356</u>
<b>Noncurrent Liabilities:</b>						
Accrued Compensated Absences	194,408	395,957	-	87,010	677,375	753,743
Construction Contracts	1,796,829	193,636	-	-	1,990,465	-
Claims	-	-	-	-	-	4,064,797
Long-Term Debt, Net	81,138,410	59,884,016	547,604,000	25,637,751	714,264,177	-
Capital Lease Payable	-	-	-	751,062	751,062	8,246,025
Accrued Liabilities	138,352	196,145	-	241,731	576,228	239,927
Accrued Landfill Closure/Postclosure Care Costs	-	-	-	14,632,000	14,632,000	-
Total Noncurrent Liabilities	<u>83,267,999</u>	<u>60,669,754</u>	<u>547,604,000</u>	<u>41,349,554</u>	<u>732,891,307</u>	<u>13,304,492</u>
Total Liabilities	<u>90,254,881</u>	<u>69,982,868</u>	<u>714,073,000</u>	<u>49,786,501</u>	<u>924,097,250</u>	<u>23,653,848</u>
<b>NET ASSETS</b>						
Invested in Capital Assets, Net of Related Debt	171,395,000	239,387,493	158,775,000	53,393,451	622,950,944	8,602,676
<b>Restricted for:</b>						
Debt Service	1,019,749	419,376	27,427,000	141,935	29,008,060	-
Capital Projects	686,631	39,915	-	528,804	1,255,350	-
Other	-	-	-	46,948	46,948	-
Unrestricted	18,186,672	14,313,737	75,913,000	(180,020)	108,233,389	18,178,000
Total Net Assets	<u>\$ 191,288,052</u>	<u>254,160,521</u>	<u>262,115,000</u>	<u>53,931,118</u>	<u>761,494,691</u>	<u>26,780,676</u>

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, 2011**

	Business-Type Activities -- Enterprise Funds				Total	Governmental Activities -- Internal Service Funds
	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Other Enterprise Funds		
<b>Operating Revenues</b>						
Charges for Services	\$ 22,973,653	28,559,484	261,377,000	4,565,087	317,475,224	52,320,810
Fees	-	-	-	7,820,398	7,820,398	-
Parking Revenue	-	-	-	7,478,545	7,478,545	-
Performance Revenue	-	-	-	1,534,158	1,534,158	-
Other Operating Revenue	-	-	-	588,197	588,197	-
Total Operating Revenues	<u>22,973,653</u>	<u>28,559,484</u>	<u>261,377,000</u>	<u>21,986,385</u>	<u>334,896,522</u>	<u>52,320,810</u>
<b>Operating Expenses</b>						
Personal Services	-	-	-	7,915,575	7,915,575	13,508,727
Contractual Services	-	-	-	5,001,711	5,001,711	-
Operation and Maintenance	11,094,850	13,304,010	16,051,000	6,069,119	46,518,979	38,842,696
Purchased Power	-	-	118,295,000	-	118,295,000	-
Depreciation	7,128,253	7,645,046	37,283,000	3,835,786	55,892,085	2,450,247
Administrative Costs	1,449,114	2,151,017	33,051,000	-	36,651,131	-
Total Operating Expenses	<u>19,672,217</u>	<u>23,100,073</u>	<u>204,680,000</u>	<u>22,822,191</u>	<u>270,274,481</u>	<u>54,801,670</u>
Operating Income (Loss)	<u>3,301,436</u>	<u>5,459,411</u>	<u>56,697,000</u>	<u>(835,806)</u>	<u>64,622,041</u>	<u>(2,480,860)</u>
<b>Nonoperating Revenues (Expenses)</b>						
Investment Earnings	158,557	892,051	395,000	119,100	1,564,708	93,554
Gain (Loss) on Disposal of Capital Assets	-	-	-	(106,705)	(106,705)	72,903
Insurance Recovery	185,048	-	-	18,725	203,773	-
Miscellaneous Revenue	-	-	-	448,772	448,772	-
Occupation Tax	-	-	-	2,059,361	2,059,361	-
Grants	-	3,658	-	-	3,658	-
Payments in Lieu of Taxes	-	-	(9,439,000)	-	(9,439,000)	-
Amortization of Deferred Charges	(38,904)	(76,887)	(861,000)	(23,570)	(1,000,361)	-
Interest Expense and Fiscal Charges	(3,424,036)	(2,907,198)	(27,763,000)	(727,875)	(34,822,109)	(167,338)
Total Nonoperating Revenues (Expenses)	<u>(3,119,335)</u>	<u>(2,088,376)</u>	<u>(37,668,000)</u>	<u>1,787,808</u>	<u>(41,087,903)</u>	<u>(881)</u>
Income (Loss) Before Contributions and Transfers	182,101	3,371,035	19,029,000	952,002	23,534,138	(2,481,741)
Capital Contributions	1,081,660	1,902,161	1,653,000	67,962	4,704,783	102,540
Transfers In	-	159,395	-	859,305	1,018,700	13,421
Transfers Out	-	-	(1,730,000)	(2,030,109)	(3,760,109)	(20,659)
Change in Net Assets	<u>1,263,761</u>	<u>5,432,591</u>	<u>18,952,000</u>	<u>(150,840)</u>	<u>25,497,512</u>	<u>(2,386,439)</u>
Net Assets - Beginning	<u>190,024,291</u>	<u>248,727,930</u>	<u>243,163,000</u>	<u>54,081,958</u>	<u>735,997,179</u>	<u>29,167,115</u>
Net Assets - Ending	<u>\$ 191,288,052</u>	<u>254,160,521</u>	<u>262,115,000</u>	<u>53,931,118</u>	<u>761,494,691</u>	<u>26,780,676</u>

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

**CITY OF LINCOLN, NEBRASKA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2011**

	Business-Type Activities -- Enterprise Funds				Total	Governmental Activities -- Internal Service Funds
	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Other Enterprise Funds		
<b>Cash Flows from Operating Activities</b>						
Receipts from Customers and Users	\$ 23,334,696	27,792,022	271,646,000	20,004,326	342,777,044	12,297,699
Receipts from Interfund Services Provided	219,365	648,301	5,202,000	160,029	6,229,695	40,000,044
Payments to Suppliers for Goods and Services	(3,344,814)	(4,747,873)	(160,171,000)	(7,951,306)	(176,214,993)	(34,264,525)
Payments to Employees	(7,277,590)	(8,104,984)	(23,916,000)	(7,737,308)	(47,035,882)	(13,259,037)
Payments for Interfund Services Provided	(1,702,040)	(2,711,605)	(3,066,000)	(1,977,584)	(9,457,229)	(2,441,670)
Other Receipts	-	-	45,000	588,197	633,197	-
Net Cash Provided by Operating Activities	<u>11,229,617</u>	<u>12,875,861</u>	<u>89,740,000</u>	<u>3,086,354</u>	<u>116,931,832</u>	<u>2,332,511</u>
<b>Cash Flows from Noncapital Financing Activities</b>						
Occupation Tax	-	-	-	1,987,948	1,987,948	-
Payments in Lieu of Taxes	-	-	(8,730,000)	-	(8,730,000)	-
Transfers from Other Funds	-	-	-	622,387	622,387	19,084
Transfers to Other Funds	-	-	(1,597,000)	(2,030,109)	(3,627,109)	(1,652)
Advances from General Fund	-	-	-	1,834,553	1,834,553	1,373,111
Repayment of Advances from General Fund	-	-	-	(1,544,671)	(1,544,671)	(1,494,027)
Advances to Other Funds	-	-	-	(167,758)	(167,758)	(11,168)
Payments from Other Funds	54,320	68,777	-	290,122	413,219	438,964
Other Miscellaneous Receipts	-	-	-	448,772	448,772	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>54,320</u>	<u>68,777</u>	<u>(10,327,000)</u>	<u>1,441,244</u>	<u>(8,762,659)</u>	<u>324,312</u>
<b>Cash Flows from Capital and Related Financing Activities</b>						
Additions to Capital Assets	(6,303,152)	(3,994,573)	(43,585,000)	(12,928,966)	(66,811,691)	(9,399,846)
Proceeds from Sale of Capital Assets	-	-	-	13,842	13,842	202,405
Insurance Recovery	185,048	-	-	18,725	203,773	-
Transfer from Other Funds	-	-	-	247,502	247,502	5,000
Proceeds from Long-Term Debt	4,021,999	-	-	20,561,084	24,583,083	8,363,622
Cost of Debt Issuance	-	-	(282,000)	(265,523)	(547,523)	(135,576)
Net Cost of Retiring Plant	-	-	(447,000)	-	(447,000)	-
Capital Contributions	414,160	1,177,971	1,653,000	-	3,245,131	-
Principal Payments of Capital Lease	-	-	-	(318,288)	(318,288)	-
Principal Payments of Long-Term Debt	(2,865,000)	(6,310,000)	(17,820,000)	(6,680,000)	(33,675,000)	-
Interest and Fiscal Charges Paid	(3,512,090)	(3,118,530)	(28,342,000)	(1,019,428)	(35,992,048)	(95,404)
Net Cash Used by Capital and Related Financing Activities	<u>(8,059,035)</u>	<u>(12,245,132)</u>	<u>(88,823,000)</u>	<u>(371,052)</u>	<u>(109,498,219)</u>	<u>(1,059,799)</u>
<b>Cash Flows from Investing Activities</b>						
Proceeds from Sale and Maturities of Investments	5,108,370	8,023,611	-	8,395,459	21,527,440	13,962,241
Purchases of Investments	(9,388,154)	(9,727,504)	(9,175,000)	(13,776,659)	(42,067,317)	(17,946,578)
Interest and Other Receipts	375,700	470,210	200,000	308,946	1,354,856	414,016
Net Cash Used by Investing Activities	<u>(3,904,084)</u>	<u>(1,233,683)</u>	<u>(8,975,000)</u>	<u>(5,072,254)</u>	<u>(19,185,021)</u>	<u>(3,570,321)</u>
Net Decrease in Cash and Cash Equivalents	(679,182)	(534,177)	(18,385,000)	(915,708)	(20,514,067)	(1,973,297)
Cash and Cash Equivalents - Beginning	3,080,393	1,804,922	49,018,000	7,505,527	61,408,842	7,564,409
Cash and Cash Equivalents - Ending	<u>\$ 2,401,211</u>	<u>1,270,745</u>	<u>30,633,000</u>	<u>6,589,819</u>	<u>40,894,775</u>	<u>5,591,112</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>						
Operating Income (Loss)	\$ 3,301,436	5,459,411	56,697,000	(835,806)	64,622,041	(2,480,860)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:						
Depreciation	7,128,253	7,645,046	37,283,000	3,835,786	55,892,085	2,450,247
Changes in Assets and Liabilities:						
Accounts Receivable and Unbilled Revenues	584,908	(117,611)	(4,543,000)	(1,232,727)	(5,308,430)	71,305
Due from Other Funds	-	-	-	(31,346)	(31,346)	(247,302)
Due from Other Governments	-	-	-	(474)	(474)	118,522
Inventories	37,476	(92,261)	1,497,000	(27,483)	1,414,732	(109,363)
Plant Operation Assets	-	-	1,021,000	-	1,021,000	-
Prepaid Expenses	-	-	4,000	(19,364)	(15,364)	9,103
Other Assets	-	-	(1,030,000)	-	(1,030,000)	-
Accounts Payable	70,486	(215,245)	(1,014,000)	43,061	(1,115,698)	191,667
Accrued Liabilities	92,224	153,568	-	138,986	384,778	153,848
Accrued Compensated Absences	14,834	42,953	-	39,281	97,068	95,842
Due to Other Funds	-	-	-	17,653	17,653	(468)
Due to Other Governments	-	-	-	(13,927)	(13,927)	(29,324)
Unearned Revenue	-	-	-	30,714	30,714	34,408
Claims	-	-	(478,000)	-	(478,000)	2,074,886
Deferred Credits and Other Liabilities	-	-	303,000	-	303,000	-
Accrued Landfill Closure/Postclosure Care Costs	-	-	-	1,142,000	1,142,000	-
Total Adjustments	<u>7,928,181</u>	<u>7,416,450</u>	<u>33,043,000</u>	<u>3,922,160</u>	<u>52,309,791</u>	<u>4,813,371</u>
Net Cash Provided by Operating Activities	<u>\$ 11,229,617</u>	<u>12,875,861</u>	<u>89,740,000</u>	<u>3,086,354</u>	<u>116,931,832</u>	<u>2,332,511</u>
<b>Supplemental Disclosure of Noncash Investing, Capital, and Financing Activities:</b>						
Contribution of Capital Assets	\$ 667,500	724,190	-	67,962	1,459,652	102,540
Purchase of Capital Assets on Account	3,793,642	2,362,977	-	3,348,272	9,504,891	159,503
Change in Fair Value of Investments	(210,635)	439,657	-	(190,409)	38,613	(270,689)
Recognition of Sales Tax Settlement Payment	-	-	332,000	-	332,000	-
Allowance for Funds in Construction and Amortization	-	-	(1,077,000)	-	(1,077,000)	-

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, 2011**

	<u>Police &amp; Fire Pension Trust Fund</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 2,355,438	3,781,501
Investments:		
Pooled Investment Funds	2,322,860	-
U.S. Agency Obligations	-	2,243,564
Corporate Bonds	462,400	-
Private Equity	525,252	-
Mutual Funds	145,048,224	-
Real Estate Limited Partnership	11,901,482	-
Total Investments	<u>160,260,218</u>	<u>2,243,564</u>
Receivables:		
Contributions	434,030	-
Accrued Interest	796,691	39,031
Other	-	41,193
Due from Other Governments	188	-
Contractor Retainage	<u>-</u>	<u>797,319</u>
 Total Assets	 <u>163,846,565</u>	 <u><u>6,902,608</u></u>
<b>LIABILITIES</b>		
Warrants Payable	-	1,182,481
Accounts Payable	11,360	213,935
Accrued Liabilities	6,104	-
Accrued Compensated Absences	14,465	-
Due to Other Governments	210	3,849,074
Due to Homeowners	-	43,604
Due to Contractors	-	1,275,391
Due to Joint Venture	-	205,384
Due to Plan Members	-	14,813
Due to Bondholders	<u>-</u>	<u>117,926</u>
 Total Liabilities	 <u>32,139</u>	 <u><u>6,902,608</u></u>
<b>NET ASSETS</b>		
Held in Trust for Pension Benefits and Other Purposes	 \$ <u><u>163,814,426</u></u>	

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

**CITY OF LINCOLN, NEBRASKA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUND**  
**FOR THE YEAR ENDED AUGUST 31, 2011**

	<u>Police &amp; Fire Pension Trust Fund</u>
Additions:	
Contributions:	
Employer	\$ 4,470,505
Employee	2,373,463
Total Contributions	<u>6,843,968</u>
Investment Earnings:	
Interest	298,074
Dividends	3,068,731
Net Increase in Fair Value of Investments	15,123,330
Net Investment Earnings	<u>18,490,135</u>
Total Additions	<u>25,334,103</u>
Deductions:	
Benefit Payments	10,594,707
Refunds of Contributions	222,572
Administrative Costs	729,223
Total Deductions	<u>11,546,502</u>
Change in Net Assets	13,787,601
Net Assets Held in Trust for Pension Benefits and Other Purposes - Beginning	<u>150,026,825</u>
Net Assets Held in Trust for Pension Benefits and Other Purposes - Ending	<u>\$ 163,814,426</u>

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

**NOTES TO THE  
FINANCIAL STATEMENTS**

**CITY OF LINCOLN, NEBRASKA**  
**Notes to the Financial Statements**  
**August 31, 2011**

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

REPORTING ENTITY

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

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

FISCAL YEAR-END

All funds of the City, with the exception of Lincoln Electric System (LES), are reported as of and for the year ended August 31, 2011. 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, 2010. The amounts included in the City's 2011 financial statements for LES are amounts as of and for the year ended December 31, 2010.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2011

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, aging services, police and fire protection, emergency communications, legal services, planning, and parks and recreation. Primary resources of the fund include property, sales, and occupation taxes.

The Street Construction Fund accounts for the resources accumulated, primarily highway allocation fees received from the State of Nebraska, and the payments made for the maintenance, construction, and improvement of the streets and highways in the City.

The West Haymarket JPA Fund accounts for the activities of the joint public agency, a blended component unit of the City, established to facilitate the redevelopment of the West Haymarket Area. Occupation taxes imposed on bar, restaurant, car rental, and hotel revenues provides the resources to finance the activities of the JPA.

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, municipal services center operations, telecommunications, and copy services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2011

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 for payroll taxes and other payroll related payables; funds held to pay outstanding warrants; funds to pay phone system charges; funds to pay matured bonds and coupons for which the City Treasurer is trustee; funds for the joint administrative entity known as JAVA, created to coordinate planning and implementation of the Antelope Valley Project; funds deposited by Gateway Shopping Center in fulfillment of a condition of the use permit for expansion; funds for shared library services; 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 generally 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.

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2011

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. Recognition of governmental fund type revenues represented by noncurrent receivables generally is deferred until they become current receivables.

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

Inventories and Prepaid Items

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

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

Amounts of governmental fund inventories and vendor prepaid items are reported as unspendable net assets to indicate that they do not represent "available spendable resources".

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

Deferred Charges

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

Investment in Joint Venture

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

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2011

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, drainage systems, street lights, 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:

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

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

Compensated Absences

City employees generally earn vacation days at a variable rate based on years of service. In the event of termination, an employee is reimbursed for accumulated vacation time up to a maximum allowed accumulation, which is in no case longer than 37 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. Upon resignation from City service an employee may also be compensated for a percentage of accumulated sick leave, again, based on the employees' bargaining union contract. In some cases payment may be placed in a medical spending account rather than reimbursing the employee directly. 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.

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2011

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

Fund balances reflect assets minus liabilities in the governmental fund statements. Fund balance is divided into five classifications; nonspendable, restricted, committed, assigned and unassigned. Fund balance is reported as nonspendable when not in spendable form or legally or contractually required to be maintained intact. Fund balance is reported as restricted when constraints placed on the use are either externally imposed by creditors, grantors, contributors, or laws or regulations other governments; or imposed by law through constitutional provisions or enabling legislation. Fund balance is reported as committed when constraints are imposed by formal action (ordinance) of the City Council, the City's highest level of decision-making authority. Fund balance is reported as assigned when the intent of the City (resolution, executive order) is to use the funds for a specific purpose. Unassigned fund balance is the residual amount and may only be reported in the General Fund.

The City has established a policy providing for an unreserved fund balance in the City's General Fund. To meet excess cash flow needs, no less than twenty percent of the ensuing year's General Fund budget is to be set aside as an unrestricted reserve. Currently \$24,912,486 of the General Fund's spendable and unrestricted fund balance meets the requirements of this policy.

Net Assets Classification

Net assets are assets minus liabilities and are shown in the entity-wide, proprietary, and fiduciary fund financial statements. 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 \$269,445,378 of restricted net assets, of which enabling legislation restricts \$16,462,427.

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

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2011

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

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

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

ENDOWMENTS

The Community Health Permanent Endowment Fund was established in 1997 with the \$37,000,000 cash proceeds realized by the City from the sale of Lincoln General Hospital, and may be increased by donations, bequests, or appropriations to the fund. Investment earnings of the fund are used for funding health and health-related programs that further the health, safety, or welfare of the citizens of Lincoln. Earnings deposited with the City Treasurer shall be paid out only by order of those persons designated by the Community Health Endowment (CHE) Board of Trustees as outlined in the Fiscal and Budget Directives policy between the CHE and the City. State law directs that, subject to the intent of a donor

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2011

expressed in the gift instrument, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. The current amount of net appreciation available for expenditure is \$19,077,332, which is reported as expendable health care restricted net assets in the statement of net assets. The initial endowment principal is reported as nonexpendable health care restricted net assets in the statement of net assets.

**PRIOR-YEAR SUMMARIZED FINANCIAL INFORMATION**

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's basic financial statements as of and for the year ended August 31, 2010, 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 2011, the City implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of resources reported in the governmental funds, thereby enhancing the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied.

Adoption of GASB 54 also clarified the existing governmental fund type definitions, changed how the City reports various fund activities, and resulted in the following beginning fund balance adjustments: General Fund \$8,417,471, Athletic Field & Facilities Improvements \$(628,453), Lincoln Area Agency on Aging \$(326,980), 911 Communications \$(560,848), Unemployment Compensation \$(163,329), Fast Forward \$(6,480,191), Development Services Center \$(257,670) and Street Construction \$741,714, Snow Removal \$(741,714).

In 2011, the City implemented the provisions of GASB Statement No. 59, *Financial Instruments Omnibus*, which looks to improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The implementation of GASB 59 did not have a material impact on the financial statements.

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

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

The governmental funds balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets of governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, "Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds." The details of the \$476,250,929 difference are as follows:

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2011

Bonds Payable	\$ 425,583,495
Less deferred charge for issuance costs	(6,026,590)
Less issuance discounts	(1,005,247)
Plus issuance premiums	9,179,477
Less deferred charge on refunding	(155,456)
Capital Leases Payable	25,183,737
Accrued Interest Payable	3,940,249
Net Pension Obligation	3,757,017
Net OPEB Obligation	3,137,094
Compensated Absences	12,657,153
Net difference	<u>\$ 476,250,929</u>

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

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances – total governmental funds* and *change in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$83,105,689 difference are as follows:

Capital outlay	\$ 107,295,982
Depreciation expense	<u>(24,190,293)</u>
Net difference	<u>\$ 83,105,689</u>

Another element of that reconciliation states, “The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$(298,039,633) difference are as follows:

Debt issued or incurred:	
Issuance of general obligation stormwater bonds	\$ (8,200,000)
Issuance of general obligation refunding bonds	(19,290,000)
Issuance of general obligation facility bonds	(300,000,000)
Issuance of tax allocation bonds	(263,000)
Issuance of special assessment revolving fund bonds	(1,200,000)
Issuance of capital lease	(3,817,500)
Issuance of certificates of participation	(3,125,000)
Deferred charge for issuance costs	4,449,524
Issuance discounts	995,009
Issuance premiums	(6,750,230)
Amortization of deferred items	28,229
Principal repayments	<u>39,133,335</u>
Net difference	<u>\$ (298,039,633)</u>

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2011

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this \$(3,736,004) difference are as follows:

Loss on disposal of capital assets	\$ (537,041)
Construction contracts	(249,317)
Other	245,032
Accrued interest	(2,296,417)
Compensated absences	(898,261)
Net difference	<u>\$ (3,736,004)</u>

**(3) RESTRICTED ASSETS**

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

Certain assets of the 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, 2011, are as follows:

Fund Account	Parking Facilities	Pershing Municipal Auditorium	Solid Waste Management	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Totals
Principal and Interest	\$ 192,679	-	-	1,330,040	346,521	15,237,000	17,106,240
Reserve	2,338,575	-	400,000	6,206,165	9,828,597	22,496,000	41,269,337
Depreciation and Replacement	930,475	-	-	-	-	-	930,475
Construction	7,595,811	-	14,818	11,339,451	6,267,538	-	25,217,618
Capital Projects	-	14,072	-	-	-	-	14,072
Marketing	-	46,948	-	-	-	-	46,948
	<u>\$ 11,057,540</u>	<u>61,020</u>	<u>414,818</u>	<u>18,875,656</u>	<u>16,442,656</u>	<u>37,733,000</u>	<u>84,584,690</u>

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

**(4) DEPOSITS AND INVESTMENTS**

**DEPOSITS**

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

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

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2011

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

**INVESTMENTS**

At August 31, 2011, the City had the following investments, maturities and credit ratings:

Type	August 31, 2011					Credit Rating	
	Carrying Value	Maturities in Years				Moody's	S&P
		Less than 1	1-5	6-10	More than 10		
<b>General City:</b>							
U.S. Treasury Obligations	\$ 98,341,474	98,341,474	-	-	-	N/A	N/A
U.S. Sponsored Agency Obligations	276,884,524	160,608,082	109,739,216	2,680,091	3,857,135	Aaa	AA+
Collateralized Repurchase Agreements	320,356	320,356	-	-	-	N/A	N/A
Collateralized Investment Agreements	1,120,000	-	1,120,000	-	-	Baa1	A+ (Fitch)
Collateralized Investment Agreements	3,139,981	-	-	-	3,139,981	Aa1	AA-
Money Market Funds - U.S. Treasury	3,392,042	3,392,042	-	-	-	N/A	N/A
Money Market Funds - U.S. Agencies	71,529,023	71,529,023	-	-	-	Aaa	AAAm
External Investment Trust	53,740,000	49,740,000	4,000,000	-	-	Not Rated	Not Rated
Tax Increment Financing Investments	2,789,630	-	190,690	1,634,557	964,383	Not Rated	Not Rated
Fixed Income Mutual Funds	153,069	153,069	-	-	-	Not rated	Not Rated
Equities	508,265	508,265	-	-	-	Not rated	Not Rated
Complementary Strategies	57,425	57,425	-	-	-	Not rated	Not Rated
Real Assets	78,591	78,591	-	-	-	Not rated	Not Rated
<b>Total General City</b>	<b>512,054,380</b>	<b>384,728,327</b>	<b>115,049,906</b>	<b>4,314,648</b>	<b>7,961,499</b>		
<b>Community Health Endowment:</b>							
Money Market Mutual Funds	8,846	8,846	-	-	-	Not rated	Not rated
Mutual Funds							
Convertible Bonds	5,361,281	5,361,281	-	-	-	Not rated	Not rated
Institutional Funds							
Fixed Income	12,408,933	12,408,933	-	-	-	Not rated	Not rated
Intermediate Term Credit	7,572,971	7,572,971	-	-	-	Not rated	Not rated
Large Cap Equity	8,660,006	8,660,006	-	-	-	Not rated	Not rated
International Equity	4,413,583	4,413,583	-	-	-	Not rated	Not rated
High Yield Bonds	2,712,812	2,712,812	-	-	-	Not rated	Not rated
Emerging Markets Equity	2,776,948	2,776,948	-	-	-	Not rated	Not rated
Hedge Funds	2,734,710	2,734,710	-	-	-	Not rated	Not rated
Mid Cap Equity	1,085,323	1,085,323	-	-	-	Not rated	Not rated
U.S. Treasuries	2,703,046	2,703,046	-	-	-	Not rated	Not rated
Small Cap Equity	537,534	537,534	-	-	-	Not rated	Not rated
Commodities	1,914,298	1,914,298	-	-	-	Not rated	Not rated
Real Estate	1,371,830	1,371,830	-	-	-	Not rated	Not rated
Limited Partnership	1,187,428	-	1,187,428	-	-	Not rated	Not rated
Other	73,334	73,334	-	-	-	Not rated	Not rated
<b>Total Community Health Endowment</b>	<b>55,522,883</b>	<b>54,335,455</b>	<b>1,187,428</b>	<b>-</b>	<b>-</b>		
<b>Police &amp; Fire Pension Trust:</b>							
Corporate Bonds	462,400	-	-	-	462,400	B (Fitch)	B+
Mutual Funds	145,048,224	-	-	-	-		
Private Equity	525,253	-	-	-	-		
Real Estate Limited Partnerships	11,901,482	-	-	-	-		
<b>Total Police &amp; Fire Pension Trust</b>	<b>157,937,359</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		
<b>Total Primary Government</b>	<b>\$ 725,514,622</b>						

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2011

INVESTMENT POLICIES

General City Policy

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

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

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

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

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

Investment agreements are made with provisions that if the provider is downgraded below Aa3 by Moody's Investors Service (Moody's) or AA- by Standard & Poor's (S&P) the provider must deliver collateral of U.S. Government agencies obligations at a margin of 104% and if the provider is further downgraded, the City will have the right to terminate the agreement and receive all invested amounts plus accrued but unpaid interest without penalty. As of August 31, 2011, the investment agreements were adequately collateralized with U.S. Government agencies obligations that had a rating of Aaa by Moody's and AA+ by S&P.

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

<u>Type</u>	<u>Portfolio Composition</u>	<u>Policy Limits on Issuer</u>
U.S. agency obligations:		
Federal Home Loan Bank	20.82 %	40.00 %
Federal Home Loan Mortgage Corporation	9.26	40.00
Federal National Mortgage Association	20.17	40.00
Federal Farm Credit Bank	3.81	40.00

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2011

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

Community Health Endowment (CHE) Policy

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

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

*Interest Rate Risk.* As a means of limiting its exposure to fair value losses arising from rising interest rates, CHE's investment policy requires the average duration of the fixed income portfolio to be no more than 120% of the appropriate fixed income benchmark. Mutual and institutional funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

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

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

*Foreign Currency Risk.* This risk relates to adverse affects on the fair value of an investment from changes in exchange rates. CHE had no investment denominated in foreign currency at August 31, 2011.

Police & Fire Pension Trust Policy

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

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

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

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

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2011

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

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

Summary of Deposit and Investment Balances

Following is a reconciliation of the City's deposit and investment balances as of August 31, 2011:

	Totals		
Investments	\$	725,514,622	
Deposits and Cash on Hand		21,166,881	
	\$	746,681,503	
		Government-wide Statement of Net Assets	Fiduciary Funds Statement of Net Assets
		Totals	
Cash and Cash Equivalents	\$	170,971,351	6,136,939
Investments		284,800,261	162,503,782
Restricted Assets:			
Cash and Cash Equivalents		16,959,585	-
Investments		105,309,585	-
	\$	578,040,782	168,640,721
		746,681,503	

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2011

(5) **FUND BALANCES**

Fund balances are classified as unspendable, restricted, committed, assigned or unassigned. The City generally follows this same order in spending available resources unless special circumstances apply. The following provides details of the aggregate amounts displayed on the face of the balance sheet:

	Major Funds				Total
	General Fund	Street Construction	West Haymarket JPA	Other Funds	
Fund Balances:					
Nonspendable:					
Inventory	\$ 472,182	450,225	-	495,115	1,417,522
Prepaid Items	6,418,988	-	25,775	-	6,444,763
Permanent Fund Principal	-	-	-	37,160,000	37,160,000
	<u>6,891,170</u>	<u>450,225</u>	<u>25,775</u>	<u>37,655,115</u>	<u>45,022,285</u>
Restricted For:					
Capital Improvements	506,854	22,359,280	215,766,741	13,748,458	252,381,333
Human Services	820,033	-	-	-	820,033
Donor Purposes	2,165,823	-	-	1,392,366	3,558,189
Public Improvements	2,033,029	-	-	-	2,033,029
Agency Activities	-	-	9,640,388	-	9,640,388
Land Purchases	-	-	-	1,028,338	1,028,338
Social Security Obligations	-	-	-	814,043	814,043
Community Betterment	-	-	-	1,840,359	1,840,359
Federal Loan Programs	-	-	-	19,837,000	19,837,000
Grant Programs	-	-	-	2,274,786	2,274,786
Special Assessment Improvements	-	-	-	497,823	497,823
Debt Service	-	-	-	16,060,411	16,060,411
Health Care	-	-	-	19,077,332	19,077,332
Library Media	-	-	-	475,786	475,786
	<u>5,525,739</u>	<u>22,359,280</u>	<u>225,407,129</u>	<u>77,046,702</u>	<u>330,338,850</u>
Committed To:					
Public Access Television	-	-	-	633,206	633,206
Assigned to:					
Capital Improvements	-	13,192,256	-	207,940	13,400,196
Donor Purposes	755,751	-	-	-	755,751
Public Improvements	488,902	-	-	-	488,902
Athletic Facility Improvements	905,862	-	-	-	905,862
Senior Care	246,132	-	-	-	246,132
Emergency Communications	929,640	-	-	-	929,640
Economic Development Projects	6,408,344	-	-	-	6,408,344
Snow Removal	-	476,807	-	-	476,807
Land Purchases	-	-	-	16,055	16,055
Public Access Television	-	-	-	11,666	11,666
Library Services	-	-	-	2,922,073	2,922,073
Health Care	-	-	-	599,716	599,716
Social Security Obligations	-	-	-	351,432	351,432
Public Transportation	-	-	-	869,494	869,494
Community Betterment	-	-	-	29,225	29,225
Building Code Enforcement	-	-	-	2,479,899	2,479,899
Park Projects	-	-	-	148,567	148,567
Other Purposes	4,015,763	-	-	-	4,015,763
	<u>13,750,394</u>	<u>13,669,063</u>	<u>-</u>	<u>7,636,067</u>	<u>35,055,524</u>
Unassigned	<u>15,586,533</u>	<u>-</u>	<u>-</u>	<u>(140,056)</u>	<u>15,446,477</u>
	<u>\$ 41,753,836</u>	<u>36,478,568</u>	<u>225,432,904</u>	<u>122,831,034</u>	<u>426,496,342</u>

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2011

(6) **RECEIVABLES AND DUE FROM OTHER GOVERNMENTS**

Receivables at August 31, 2011, consist of the following (in thousands):

Fund	Taxes	Accounts	Loans	Contributions	Special Assessment		Accrued Interest	Gross Receivables	Allowance For Uncollectibles	Net
					Current	Deferred				
General	\$ 3,348	2,271	-	-	-	-	94	5,713	-	5,713
Street Construction	-	1,509	-	-	-	-	76	1,585	-	1,585
West Haymarket JPA	1,087	357	-	-	-	-	337	1,781	-	1,781
Wastewater System	-	4,930	-	-	-	-	125	5,055	-	5,055
Water System	-	6,594	-	-	-	-	90	6,684	-	6,684
Electric System	-	31,807	-	-	-	-	443	32,250	880	31,370
Nonmajor -										
Special Revenue	1,346	278	24,583	-	-	-	76	26,283	4,746	21,537
Debt Service	831	-	-	-	376	966	70	2,243	101	2,142
Capital Projects	-	717	-	-	-	-	74	791	-	791
Permanent	-	-	-	-	-	-	2	2	-	2
Enterprise	-	7,749	-	-	-	-	97	7,846	4,553	3,293
Internal Service	-	166	-	-	-	-	112	278	-	278
Fiduciary	-	41	-	434	-	-	836	1,311	-	1,311
	\$ 6,612	56,419	24,583	434	376	966	2,432	91,822	10,280	81,542

Enterprise funds customer accounts receivable include unbilled charges for services. Delinquent special assessment receivables at August 31, 2011, were \$229,861.

The total of Due From Other Governments of \$29,419,582 includes the following significant items:

<u>Fund/Fund Type</u>	<u>Amount</u>	<u>Service</u>
General/Major Governmental	\$ 9,669,716	State of Nebraska, July/August Sales and Use Tax
	408,829	August Motor Vehicle Taxes Collected by Lancaster County
	93,761	Federal Government, Cost Reimbursements
	90,740	Lancaster County, Cost Reimbursements
Street Construction/Major Governmental	3,203,486	State of Nebraska, July/August Highway User Fees
	38,072	Railroad Transportation Safety District, Cost Reimbursements
	7,693,368	Federal Government, Cost Reimbursements
	107,319	August Motor Vehicle Taxes Collected by Lancaster County
West Haymarket JPA/Major Governmental	812,558	Federal Government, Cost Reimbursements
	809,449	State of Nebraska, Cost Reimbursements
Lincoln/Lancaster Co. Health/Special Revenue	345,732	Lancaster County, Cost Reimbursements
StarTran/Special Revenue	122,807	Federal Government, Cost Reimbursements
Federal Grants/Special Revenue	3,943,336	Federal Government, Cost Reimbursements
	549,903	State of Nebraska, Cost Reimbursements
	19,019	Lincoln Public Schools, Cost Reimbursements
Antelope Valley/Tax Supported Bonds/Debt Service	166,666	State of Nebraska, July/August Development Fund Disbursements
Vehicle Tax/Capital Projects	1,051,635	August Motor Vehicle Taxes Collected by Lancaster County
Information Services/Internal Service	221,189	Lancaster County Billings
Insurance Revolving/Internal Service	13,348	Lancaster County Billings
Copy Services/Internal Service	15,139	Lancaster County Billings
Subtotal	29,376,072	
All other	43,510	
Total Due From Other Governments	<u>\$ 29,419,582</u>	

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2011

(7) **CAPITAL ASSETS**

Capital asset activity for the year ended August 31, 2011 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental Activities:</b>				
Capital Assets, not being Depreciated:				
Land	\$ 63,866,125	6,004,782	20,000	69,850,907
Construction in Progress	88,621,001	80,877,695	1,573,719	167,924,977
Total Capital Assets, not being Depreciated	<u>152,487,126</u>	<u>86,882,477</u>	<u>1,593,719</u>	<u>237,775,884</u>
Capital Assets, being Depreciated:				
Buildings	76,662,582	5,903,637	340,607	82,225,612
Improvements Other Than Buildings	64,922,165	1,666,769	279,536	66,309,398
Machinery and Equipment	81,682,704	10,876,217	6,924,807	85,634,114
Infrastructure	534,930,606	14,285,600	503,091	548,713,115
Total Capital Assets, being Depreciated	<u>758,198,057</u>	<u>32,732,223</u>	<u>8,048,041</u>	<u>782,882,239</u>
Less Accumulated Depreciation for:				
Buildings	30,712,352	2,061,624	292,755	32,481,221
Improvements Other Than Buildings	26,732,724	1,968,678	268,920	28,432,482
Machinery and Equipment	50,081,767	6,655,949	6,788,619	49,949,097
Infrastructure	180,361,967	15,954,289	51,202	196,265,054
Total Accumulated Depreciation	<u>287,888,810</u>	<u>26,640,540</u>	<u>7,401,496</u>	<u>307,127,854</u>
Total Capital Assets, being Depreciated, Net	<u>470,309,247</u>	<u>6,091,683</u>	<u>646,545</u>	<u>475,754,385</u>
Governmental Activities Capital Assets, Net	<u>\$ 622,796,373</u>	<u>92,974,160</u>	<u>2,240,264</u>	<u>713,530,269</u>
<b>Business-type Activities:</b>				
Capital Assets, not being Depreciated:				
Land	\$ 21,950,552	2,193,734	-	24,144,286
Construction in Progress	50,372,677	67,664,006	38,462,053	79,574,630
Total Capital Assets, not being Depreciated	<u>72,323,229</u>	<u>69,857,740</u>	<u>38,462,053</u>	<u>103,718,916</u>
Capital Assets, being Depreciated:				
Buildings	193,310,167	464,387	186,244	193,588,310
Improvements Other Than Buildings	603,903,096	11,621,185	113,395	615,410,886
Machinery and Equipment	29,123,782	1,521,574	290,491	30,354,865
Utility Plant	1,199,377,000	27,364,000	2,227,000	1,224,514,000
Total Capital Assets, being Depreciated	<u>2,025,714,045</u>	<u>40,971,146</u>	<u>2,817,130</u>	<u>2,063,868,061</u>
Less Accumulated Depreciation for:				
Buildings	66,766,644	4,334,592	163,217	70,938,019
Improvements Other Than Buildings	157,788,519	12,431,405	110,152	170,109,772
Machinery and Equipment	16,891,771	1,843,088	274,989	18,459,870
Utility Plant	436,136,000	37,283,000	2,675,000	470,744,000
Total Accumulated Depreciation	<u>677,582,934</u>	<u>55,892,085</u>	<u>3,223,358</u>	<u>730,251,661</u>
Total Capital Assets, being Depreciated, Net	<u>1,348,131,111</u>	<u>(14,920,939)</u>	<u>(406,228)</u>	<u>1,333,616,400</u>
Business-type Activities Capital Assets, Net	<u>\$ 1,420,454,340</u>	<u>54,936,801</u>	<u>38,055,825</u>	<u>1,437,335,316</u>

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2011

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General Government	\$ 1,156,876
Public Safety	1,899,985
Streets and Highways, including Infrastructure	15,318,875
Culture and Recreation	3,593,628
Economic Opportunity	52,520
Health and Welfare	296,365
Mass Transit	1,872,044
Subtotal	<u>24,190,293</u>
Internal Service Funds Capital Assets	
Depreciation is charged to the various functions based on usage of the assets.	2,450,247
Total Depreciation Expense - Governmental	<u>\$ 26,640,540</u>
Business-type Activities:	
Parking Lots	\$ 28,081
Golf	591,046
Parking Facilities	1,133,980
Pershing Municipal Auditorium	21,355
Solid Waste Management	1,969,068
Emergency Medical Services	92,256
Wastewater System	7,128,253
Water System	7,645,046
Lincoln Electric System	37,283,000
Total Depreciation Expense - Business-type	<u>\$ 55,892,085</u>

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Lincoln Wastewater System:</b>				
Capital Assets, not being Depreciated:				
Land	\$ 5,820,833	92,507	-	5,913,340
Construction in Progress	6,524,586	5,945,499	6,280,552	6,189,533
Total Capital Assets, not being Depreciated	<u>12,345,419</u>	<u>6,038,006</u>	<u>6,280,552</u>	<u>12,102,873</u>
Capital Assets, being Depreciated:				
Buildings	75,359,698	25,203	-	75,384,901
Improvements Other Than Buildings	247,828,003	6,937,134	113,395	254,651,742
Machinery and Equipment	8,551,731	68,483	23,480	8,596,734
Total Capital Assets, being Depreciated	<u>331,739,432</u>	<u>7,030,820</u>	<u>136,875</u>	<u>338,633,377</u>
Less Accumulated Depreciation for:				
Buildings	21,567,175	1,703,959	-	23,271,134
Improvements Other Than Buildings	64,367,316	4,960,488	110,152	69,217,652
Machinery and Equipment	4,447,544	463,806	16,049	4,895,301
Total Accumulated Depreciation	<u>90,382,035</u>	<u>7,128,253</u>	<u>126,201</u>	<u>97,384,087</u>
Total Capital Assets, being Depreciated, Net	<u>241,357,397</u>	<u>(97,433)</u>	<u>10,674</u>	<u>241,249,290</u>
Wastewater System Capital Assets, Net	<u>\$ 253,702,816</u>	<u>5,940,573</u>	<u>6,291,226</u>	<u>253,352,163</u>

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2011

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Lincoln Water System:</b>				
Capital Assets, not being Depreciated:				
Land	\$ 5,444,607	560	-	5,445,167
Construction in Progress	2,116,922	3,564,673	4,170,514	1,511,081
Total Capital Assets, not being Depreciated	<u>7,561,529</u>	<u>3,565,233</u>	<u>4,170,514</u>	<u>6,956,248</u>
Capital Assets, being Depreciated:				
Buildings	67,219,982	143,449	-	67,363,431
Improvements Other Than Buildings	320,129,285	4,676,485	-	324,805,770
Machinery and Equipment	8,183,784	404,851	18,912	8,569,723
Total Capital Assets, being Depreciated	<u>395,533,051</u>	<u>5,224,785</u>	<u>18,912</u>	<u>400,738,924</u>
Less Accumulated Depreciation for:				
Buildings	22,896,770	1,502,175	-	24,398,945
Improvements Other Than Buildings	74,957,759	5,649,850	-	80,607,609
Machinery and Equipment	4,212,023	493,021	18,912	4,686,132
Total Accumulated Depreciation	<u>102,066,552</u>	<u>7,645,046</u>	<u>18,912</u>	<u>109,692,686</u>
Total Capital Assets, being Depreciated, Net	<u>293,466,499</u>	<u>(2,420,261)</u>	<u>-</u>	<u>291,046,238</u>
Water System Capital Assets, Net	<u>\$ 301,028,028</u>	<u>1,144,972</u>	<u>4,170,514</u>	<u>298,002,486</u>
	Beginning Balances *	Increases	Decreases	Ending Balances
<b>Lincoln Electric System:</b>				
Capital Assets, not being Depreciated:				
Construction in Progress	\$ 41,229,000	44,847,000	27,809,000	58,267,000
Capital Assets, being Depreciated:				
Utility Plant	1,199,377,000	27,364,000	2,227,000	1,224,514,000
Less Accumulated Depreciation	436,136,000	37,283,000	2,675,000	470,744,000
Total Capital Assets, being Depreciated, Net	<u>763,241,000</u>	<u>(9,919,000)</u>	<u>(448,000)</u>	<u>753,770,000</u>
Electric System Capital Assets, Net	<u>\$ 804,470,000</u>	<u>34,928,000</u>	<u>27,361,000</u>	<u>812,037,000</u>

During 2011, Lincoln Wastewater System incurred \$3,559,554 of interest cost, of which \$135,518 was capitalized into construction in progress. Lincoln Water System incurred \$3,179,819 of interest cost, of which \$73,328 was capitalized into construction in progress. Lincoln Parking System incurred \$905,572 of interest cost, of which \$366,508 was capitalized into construction in progress. Capitalized interest is added to the cost of the underlying assets and is amortized over the useful lives of the assets.

Lincoln Electric System utility plant includes an allowance for funds used during construction for projects costing in excess of \$500,000 with a construction period in excess of 12 months. The allowance for funds used during construction consists of the project balance times the weighted-average interest rate on debt based on Federal Energy Regulatory Commission accounting method. The weighted-average rate for 2010 was 4.6%.

\* Effective January 1, 2010, LES implemented GASB No. 51 *Accounting and Financial Reporting for Intangible Assets*. As a result, software assets and accumulated amortization of \$6,977,000 and \$4,445,000, respectively, were reclassified from other assets to capital assets and restated in beginning balances.

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2011

**(8) INTERFUND BALANCES AND ACTIVITY**

Balances Due To/From Other Funds at August 31, 2011, consist of the following:

Due To	Due From						Total
	General Fund	Street Construction	West Haymarket JPA	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	
General Fund	\$ -	9,258	9,466	25,223	970,685	920,074	1,934,706
Street Construction	1,022,983	-	-	4,319,252	-	-	5,342,235
Nonmajor Governmental	1,606,115	-	-	1,498,702	-	-	3,104,817
Lincoln Wastewater System	527,415	-	-	686,631	-	-	1,214,046
Lincoln Water System	274,293	-	-	39,915	-	-	314,208
Nonmajor Enterprise	773,994	5,774	-	34,357	-	11	814,136
Internal Service	1,509,245	195,845	22,975	140,875	20,011	46,189	1,935,140
	<u>\$ 5,714,045</u>	<u>210,877</u>	<u>32,441</u>	<u>6,744,955</u>	<u>990,696</u>	<u>966,274</u>	<u>14,659,288</u>

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

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

Transfers To/From Other Funds for the year ended August 31, 2011, consist of the following:

Transfer To	Transfer From						Total
	General Fund	Street Construction	Nonmajor Governmental	Lincoln Electric System	Nonmajor Enterprise	Internal Service	
General Fund	\$ -	-	4,381,739	1,730,000	757,529	20,126	6,889,394
Street Construction	423,871	-	11,580,052	-	-	-	12,003,923
Nonmajor Governmental	15,212,015	4,940,556	3,788,756	-	1,025,078	533	24,966,938
Lincoln Water System	129,395	-	30,000	-	-	-	159,395
Nonmajor Enterprise	589,415	-	22,388	-	247,502	-	859,305
Internal Service	5,958	5,000	2,463	-	-	-	13,421
Total	<u>\$ 16,360,654</u>	<u>4,945,556</u>	<u>19,805,398</u>	<u>1,730,000</u>	<u>2,030,109</u>	<u>20,659</u>	<u>44,892,376</u>

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

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2011

(9) **DEBT OBLIGATIONS**

**SHORT-TERM**

Established by City Ordinance, LES may borrow up to \$150 million under a commercial paper note program. At December 31, 2010, LES had \$90 million of tax-exempt commercial paper notes outstanding. The notes mature at various dates but not more than 270 days after the date of issuance. The weighted-average interest rate for the year ended December 31, 2010, was 0.31 percent. The outstanding commercial paper notes are secured by a revolving credit agreement, which provides for borrowings up to \$150 million. LES pays a commitment fee for the credit agreement. Under the terms of the agreement, LES can either settle or refinance the commercial paper upon maturity. LES uses these vehicles as part of their long-term financing strategy. As such, commercial paper is renewed as it matures. The weighted average length of maturity of commercial paper for 2010 was 66 days.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Lincoln Electric System:</b>					
Commercial Paper Notes	\$ 90,000,000	518,300,000	(518,300,000)	90,000,000	90,000,000

The City of Lincoln is authorized by Ordinance No. 19402 to issue General Obligation Bond Anticipation Notes for the purpose of providing interim financing for costs in connection with construction of a new arena and related improvements in the West Haymarket area of the City. As of August 31, 2010, only \$2,000,000 of tax anticipation notes had been issued. Payment of the principal and interest on the notes was paid from the proceeds of bonds issued by the West Haymarket JPA. At August 31, 2011, there were no notes outstanding.

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

**LONG-TERM**

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

Net assets of \$2,666,408, \$3,016,975, \$10,291,693, and \$85,335 are currently available in the debt service funds to service the General Obligation Bonds, Tax Supported Bonds, Tax Allocation Bonds, and Special Assessment Bonds, respectively. Revenue Bonds are funded partially from reserve accounts set up for debt repayment and partially from proceeds of daily operations.

The City has entered into lease agreements for financing the acquisition of land, buildings, 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

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2011

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	\$ 1,774,450	\$ 210,000
Buildings	18,171,399	-
Improvements	219,925	-
Infrastructure	13,719,213	-
Machinery and Equipment	2,946,000	3,492,756
Construction in Progress	388,181	-
Less Accumulated Depreciation, (where applicable)	<u>(5,566,307)</u>	<u>(2,256,254)</u>
Total	<u>\$ 31,652,861</u>	<u>\$ 1,446,502</u>

In 2011, the City issued \$3,125,000 in refunding certificates of participation (COPS) with an average interest rate of 1.64% to refund \$3,655,000 in outstanding 2006, 2005 and 2004 COPS. The refunding resulted in a cash flow differential of \$371,658 and an economic gain of \$154,538.

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.

In 2011, the City issued \$19,290,000 in general obligation refunding bonds with an average interest rate of 2.84% to refund \$21,500,000 of 1999A various purpose bonds, 2002 storm sewer and drainage bonds, and 2005 storm sewer refunding bonds. The refunding resulted in a cash flow differential of \$4,411,524, and an economic gain of \$2,504,754.

In 2011, the City also issued \$4,025,000 in parking refunding bonds with an average interest rate of 4.9% to refund \$5,525,000 in outstanding Parking Revenue Bonds, Series 1999A. The refunding resulted in a cash flow differential of \$(346,476) and an economic loss of \$(25,445).

Lincoln Wastewater System has entered into a loan agreement with the Nebraska Department of Environmental Quality (NDEQ) consisting of two separate contracts. Funding totaling \$5,000,000 is available under Contract A to fund certain sewer system extension and repairs. During the year ended August 31, 2011, Lincoln Wastewater System incurred project costs totaling \$558,399, resulting in additional project loan payable of \$509,901. Under Contract B Lincoln Wastewater System has available a \$5,000,000 loan, subject to availability of state and federal funds, to finance certain projects of the system. During the year ended August 31, 2011, the System incurred project costs totaling \$3,546,400 resulting in the recognition of a project loan payable of \$3,512,098. The remaining available funds under Contract B totaling \$1,487,902 are not reflected on the financial statements. The interest rate for these loans range from 0.0 to 2.0 percent.

The Wastewater System has also entered into a \$17,000,000 loan agreement with NDEQ to fund certain System improvements. The interest rate during the period of construction is 2%. After the date of initiation of operation, the interest rate will increase to 2.25%. In addition, an administrative fee of 1% will be incurred on the loan. No project costs were incurred during the fiscal year ended August 31, 2011, therefore, the available loan is not reflected on the financial statements.

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2011

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

Original Amount	Issued	Issue	Interest Rate	When Due	Date Callable	Interest Date	Outstanding
<b>Governmental Activities:</b>							
General Obligation Bonds:							
General Bonds:							
8,220	03/01/99	Various Purpose Series B	3.000 - 4.250	Serial 1999 to 2011	2007	Semiannually	\$ 260
15,595	07/08/03	Various Purpose	2.625 - 3.750	Serial 2004 to 2017	2013	"	5,215
3,710	07/08/03	Various Purpose	4.000 / 4.125	Term 2020 & 2023	2013	"	3,710
9,950	06/15/05	Storm Sewer Construction	3.250 - 4.250	Serial 2006 to 2025	2015	"	7,660
8,295	06/27/07	Stormwater Drainage and Flood Mgmt	4.625 - 5.000	Serial 2008 to 2027	2017	"	7,265
8,200	02/10/11	Stormwater Bonds	2.000 - 4.500	Serial 2013 to 2030	2020	"	8,200
19,290	06/21/11	Refunding	0.2000 - 5.000	Serial 2011 to 2022	2019	"	19,290
Total General Bonds							<u>\$ 51,600</u>
Tax Allocation Bonds:							
1,035	04/21/04	Tax Allocation Bonds	2.000 - 3.200	Serial 2004 to 2011	2008	Semiannually	160
5,500	04/21/04	Tax Allocation Bonds	3.000 - 4.800	Serial 2004 to 2015	2010	"	2,880
365	08/15/05	Tax Allocation Bonds	4.750	Serial 2006 to 2018	Anytime	"	216
288	10/01/06	Tax Allocation Bonds	5.100	Serial 2008 to 2016	Anytime	"	188
2,205	04/05/07	Tax Allocation Bonds	5.000 - 5.550	Serial 2009 to 2018	2012	"	1,845
601	06/01/07	Tax Allocation Bonds	5.240	Serial 2008 to 2018	Anytime	"	561
388	06/01/07	Tax Allocation Bonds	5.240	Serial 2007 to 2020	Anytime	"	300
369	06/15/07	Tax Allocation Bonds	5.400	Serial 2007 to 2014	Anytime	"	190
42	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2021	Anytime	"	37
71	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2017	Anytime	"	63
474	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2022	Anytime	"	332
547	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	469
200	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	170
611	06/30/09	Tax Allocation Bonds	7.00	Serial 2011 to 2023	Anytime	"	609
3,375	07/28/09	Tax Allocation Bonds	2.500 - 6.400	Serial 2011 to 2023	Anytime	"	3,375
263	04/01/11	Tax Allocation Bonds	3.990	Serial 2011 to 2022	Anytime	"	263
Total Tax Allocation Bonds							<u>\$ 11,658</u>
Tax Supported Bonds:							
35,000	03/17/04	Highway Allocation Fund	2.000 - 5.000	Serial 2007 to 2023	2014	Semiannually	31,965
27,000	12/05/06	Highway Allocation Fund	4.000 - 5.000	Serial 2008 to 2027	2016	"	23,240
Total Tax Supported Bonds							<u>\$ 55,205</u>
Special Assessment Bonds:							
825	08/18/11	Special Assessment	0.400 - 3.700	Serial 2012 to 2026		Semiannually	825
375	08/18/11	Special Assessment	4.200	Term 2031		"	375
Total Special Assessment Bonds							<u>\$ 1,200</u>
West Haymarket Joint Public Agency							
31,515	09/08/10	Facility Bonds Taxable Build America Bonds	3.500 - 4.45	Serial 2020 to 2030	Anytime	Semiannually	31,515
68,485	09/08/10	Facility Bonds Taxable Build America Bonds	4.750 / 5.000	Term 2035 & 2045	Anytime	"	68,485
15,785	12/01/10	Facility Bonds Taxable Build America Bonds	4.000 - 5.000	Serial 2020 - 2025	Anytime	"	15,785
52,180	12/01/10	Facility Bonds Taxable Build America Bonds	5.400 / 5.800 / 6.000	Term 2030 2035 2039	Anytime	"	52,180
32,035	12/01/10	Recovery Zone Economic Development	6.750	Term 2045	Anytime	"	32,035
44,290	08/24/11	Facility Bonds	3.500 - 5.000	Serial 2021 to 2032	2021	"	44,290
55,710	08/24/11	Facility Bonds	4.250 / 5.000	Term 2036 & 2042	2021	"	55,710
Total West Haymarket Joint Public Agency							<u>\$ 300,000</u>
TOTAL GENERAL OBLIGATION BONDS							<u>\$ 419,663</u>
Tax Supported Bonds:							
11,080	3/13/02	Antelope Valley Project	1.500 - 5.000	Serial 2002 to 2016	2012	Semiannually	<u>\$ 5,920</u>

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2011

Original Amount	Issued	Issue	Interest Rate	When Due	Date Callable	Interest Date	Outstanding
<b>Business-Type Activities:</b>							
Revenue Bonds:							
39,235	07/31/03	Wastewater Revenue	2.000 - 5.000	Serial 2004 to 2023	2013	Semiannually	\$ 26,350
15,765	07/31/03	Wastewater Revenue	4.625 / 5.000	Term 2025 & 2028	2013	"	15,765
18,000	08/03/05	Wastewater Revenue	4.000 - 5.000	Serial 2006 to 2030	2015	"	15,000
16,710	04/18/07	Wastewater Revenue	4.000 - 4.500	Serial 2008 to 2029	2017	"	14,760
3,750	04/18/07	Wastewater Revenue	4.375	Term 2032	2017	"	3,750
Total Wastewater Bonds							<u>\$ 75,625</u>
11,850	11/22/02	Water Revenue	2.750 - 5.000	Serial 2005 to 2017	2012	Semiannually	6,180
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	-	"	2,630
40,000	11/16/04	Water Revenue	3.000 - 5.000	Serial 2005 to 2025	2014	"	33,030
10,515	08/04/09	Water Revenue	2.000 - 4.125	Serial 2013 to 2029	2019	"	10,515
4,905	08/04/09	Water Revenue	4.5000	Term 2034	2019	"	4,905
Total Water Bonds							<u>\$ 63,920</u>
4,360	12/18/01	Parking Revenue	3.750 - 5.000	Serial 2002 to 2017	2011	"	1,935
1,640	12/18/01	Parking Revenue	5.125	Term 2021	2011	"	1,640
2,065	12/29/10	Parking Revenue	1.250 - 2.850	Serial 2011 to 2014	N/A	"	1,760
7,745	01/27/11	Parking Revenue and Refunding	2.000 - 5.000	Serial 2015 to 2024	2021	"	7,745
10,775	01/27/11	Parking Revenue and Refunding	5.000 / 5.125 / 5.500	Term 2026 & 2031	2021	"	10,775
Total Parking Bonds							<u>\$ 23,855</u>
4,000	08/17/06	Solid Waste Management Revenue	4.000 - 4.250	Serial 2007 to 2021	2013	Semiannually	\$ 3,020
148,190	10/01/02	Electric Revenue and Refunding Bonds	4.000 - 5.000	Serial 2004 to 2025	2012	"	81,660
93,045	10/01/03	Electric Revenue and Refunding Bonds	3.000 - 5.000	Serial 2004 to 2026	2014	"	78,200
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	"	176,255
81,850	05/15/07	Electric Revenue and Refunding Bonds	4.500 / 4.750	Term 2034 & 2037	2016	"	81,850
Total Electric Bonds							<u>\$ 566,230</u>

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

Fiscal Year Ended August 31	Governmental Activities					
	General Obligation Bonds		Tax Supported Bonds		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 6,636	19,029	710	271	3,688	959
2013	8,563	19,575	740	238	3,284	889
2014	8,816	19,283	780	200	3,421	817
2015	9,061	18,971	815	162	3,511	738
2016	9,455	18,603	855	122	3,586	643
2017 - 2021	47,260	87,656	2,020	51	9,322	2,051
2022 - 2026	72,657	74,055	-	-	5,458	830
2027 - 2031	55,835	59,699	-	-	1,255	68
2032 - 2036	60,645	46,279	-	-	-	-
2037 - 2041	73,345	29,401	-	-	-	-
2042 - 2046	67,390	8,882	-	-	-	-
	<u>\$ 419,663</u>	<u>401,433</u>	<u>5,920</u>	<u>1,044</u>	<u>33,525</u>	<u>6,995</u>

Fiscal Year Ended August 31	Business-Type Activities					
	Revenue Bonds		Loans Payable		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 28,020	34,879	195	116	258	24
2013	27,010	33,539	307	112	198	18
2014	28,255	32,258	312	107	205	13
2015	29,500	30,887	318	101	152	7
2016	30,845	29,481	323	96	98	5
2017 - 2021	178,095	123,373	1,694	399	98	2
2022 - 2026	117,595	86,452	1,839	254	-	-
2027 - 2031	119,815	59,989	1,896	97	-	-
2032 - 2036	119,470	29,412	107	1	-	-
2037 - 2041	54,045	3,676	-	-	-	-
	<u>\$ 732,650</u>	<u>463,946</u>	<u>6,991</u>	<u>1,283</u>	<u>1,009</u>	<u>69</u>

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2011

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

Fiscal Year Ended August 31	Major Enterprise Funds					
	Wastewater System		Water System		Electric System	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 3,075	3,620	5,380	2,905	18,680	27,267
2013	3,287	3,500	3,310	2,647	19,610	26,333
2014	3,397	3,370	3,425	2,506	20,595	25,353
2015	3,522	3,217	3,555	2,354	21,620	24,323
2016	3,648	3,057	3,690	2,191	22,675	23,271
2017 - 2021	20,475	12,768	20,915	8,199	131,510	98,220
2022 - 2026	25,189	7,816	16,315	3,406	71,630	72,415
2027 - 2031	18,611	2,161	4,240	1,266	90,790	55,355
2032 - 2036	1,412	58	3,090	283	115,075	29,072
2037 - 2041	-	-	-	-	54,045	3,676
	\$ 82,616	39,567	63,920	25,737	566,230	385,285

Long-term liability activity for the year ended August 31, 2011 was as follows (in thousands of dollars):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
<b>Bonds and Leases Payable:</b>					
General Bonds	\$ 48,330	27,490	(24,220)	51,600	2,390
Tax Allocation Bonds	12,398	263	(1,003)	11,658	1,301
Tax Supported Bonds	57,655	-	(2,450)	55,205	2,895
Special Assessment Debt with Government Commitment	-	1,200	-	1,200	50
West Haymarket Joint Public Agency Bonds	-	300,000	-	300,000	-
Tax Supported Antelope Valley Project Bonds	6,605	-	(685)	5,920	710
Capital Leases	28,989	15,284	(10,748)	33,525	3,688
Gross Bonds and Leases Payable	153,977	344,237	(39,106)	459,108	11,034
Deferred Amounts:					
For Issuance Premiums	2,598	6,772	(168)	9,202	-
For Issuance Discounts	(21)	(995)	11	(1,005)	-
For Refunding	-	(158)	3	(155)	-
Net Bonds and Leases Payable	156,554	349,856	(39,260)	467,150	11,034
<b>Other Liabilities:</b>					
Compensated Absences	13,190	8,015	(7,021)	14,184	7,402
Construction Contracts	5,087	266	(547)	4,806	-
Claims and Judgements	8,714	25,524	(23,449)	10,789	6,724
Net Pension Obligation	3,596	161	-	3,757	-
Net OPEB Obligation	2,051	1,326	-	3,377	-
Governmental Activities Long-Term Liabilities	\$ 189,192	385,148	(70,277)	504,063	25,160
<b>Business-Type Activities:</b>					
<b>Bonds, Loans and Leases Payable:</b>					
Wastewater Revenue Bonds	\$ 78,410	-	(2,785)	75,625	2,880
Wastewater Loan Payable	3,049	4,022	(80)	6,991	195
Water Revenue Bonds	70,230	-	(6,310)	63,920	5,380
Parking Revenue Bonds	9,375	20,585	(6,105)	23,855	860
Golf Course Revenue Bonds	365	-	(365)	-	-
Solid Waste Management Revenue Bonds	3,230	-	(210)	3,020	220
Electric System Revenue Bonds	584,050	-	(17,820)	566,230	18,680
Capital Leases	1,328	-	(319)	1,009	258
Gross Bonds, Loans and Leases Payable	750,037	24,607	(33,994)	740,650	28,473
Deferred Amounts:					
For Issuance Premiums	15,983	-	(2,407)	13,576	-
For Issuance Discounts	(10,573)	(24)	1,775	(8,822)	-
For Refunding	(2,207)	(184)	475	(1,916)	-
Net Bonds and Leases Payable	753,240	24,399	(34,151)	743,488	28,473
<b>Other Liabilities:</b>					
Compensated Absences	1,688	1,149	(1,052)	1,785	1,108
Construction Contracts	6,609	2,247	(2,699)	6,157	4,166
Claims and Judgements	478	-	(478)	-	-
Accrued Liabilities	33	-	(33)	-	-
Net OPEB Obligation	350	226	-	576	-
Accrued Landfill Closure/Postclosure Care Costs	13,490	-	1,142	14,632	-
Business-Type Activities Long-Term Liabilities	\$ 775,888	28,021	(37,271)	766,638	33,747

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2011

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

Long-term liability activity for the major enterprise funds for the year ended August 31, 2011, was as follows (in thousands of dollars):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Lincoln Wastewater System:</b>					
Bonds Payable:					
Wastewater Revenue Bonds	\$ 78,410	-	(2,785)	75,625	2,880
Wastewater Loan Payable	3,049	4,022	(80)	6,991	195
Deferred For Issuance Premiums	1,701	-	(93)	1,608	-
Deferred For Issuance Discounts	(10)	-	-	(10)	-
Net Bonds Payable	<u>83,150</u>	<u>4,022</u>	<u>(2,958)</u>	<u>84,214</u>	<u>3,075</u>
Other Liabilities:					
Compensated Absences	544	363	(348)	559	365
Construction Contracts	3,987	1,112	(1,305)	3,794	1,997
Net OPEB Obligation	84	54	-	138	-
Total Long-Term Liabilities	<u>\$ 87,765</u>	<u>5,551</u>	<u>(4,611)</u>	<u>88,705</u>	<u>5,437</u>
<b>Lincoln Water System:</b>					
Bonds Payable:					
Water Revenue Bonds	\$ 70,230	-	(6,310)	63,920	5,380
Deferred for Issuance Premiums	1,844	-	(336)	1,508	-
Deferred For Issuance Discounts	(35)	-	1	(34)	-
Deferred for Refunding	(266)	-	136	(130)	-
Net Bonds Payable	<u>71,773</u>	<u>-</u>	<u>(6,509)</u>	<u>65,264</u>	<u>5,380</u>
Other Liabilities:					
Compensated Absences	781	452	(409)	824	428
Construction Contracts	2,622	1,135	(1,394)	2,363	2,169
Net OPEB Obligation	119	77	-	196	-
Total Long-Term Liabilities	<u>\$ 75,295</u>	<u>1,664</u>	<u>(8,312)</u>	<u>68,647</u>	<u>7,977</u>
<b>Lincoln Electric System:</b>					
Bonds Payable:					
Electric System Revenue Bonds	\$ 584,050	-	(17,820)	566,230	18,680
Deferred for Issuance Premiums	12,427	-	(1,977)	10,450	-
Deferred for Issuance Discounts	(10,528)	-	1,774	(8,754)	-
Deferred for Refunding	(1,934)	-	292	(1,642)	-
Net Bonds Payable	<u>584,015</u>	<u>-</u>	<u>(17,731)</u>	<u>566,284</u>	<u>18,680</u>
Other Liabilities:					
Claims and Judgements	478	-	(478)	-	-
Accrued Liabilities	33	-	(33)	-	-
Total Long-Term Liabilities	<u>\$ 584,526</u>	<u>-</u>	<u>(18,242)</u>	<u>566,284</u>	<u>18,680</u>

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2011

**(10) RECONCILIATION OF BUDGET BASIS TO GAAP**

Amounts presented on a non-GAAP budget basis of accounting differ from those presented in accordance with GAAP due to the treatment afforded accruals, encumbrances, funds for which budget and reporting structures differ, and funds for which legally adopted annual budgets are not established. A reconciliation for the year ended August 31, 2011, which discloses the nature and amount of the adjustments necessary to convert the actual GAAP data to the budgetary basis, is presented below:

	<u>General Fund</u>	<u>Street Construction Fund</u>
Net Change in Fund Balances:		
Balance on a GAAP basis	\$ 2,910,783	4,150,021
Basis differences (accruals) occur because the cash basis of accounting used for budgeting differs from the modified accrual basis of accounting prescribed for governmental funds.	(589,953)	(341,464)
Perspective differences occur when the structure used for budgeting differs from the fund structure used for financial reporting.	(352,050)	-
Amount budgeted on a project basis.	<u>-</u>	<u>11,512,649</u>
Balance on a budget basis	<u>\$ 1,968,780</u>	<u>15,321,206</u>

**(11) DEFICIT NET ASSETS**

The following funds had a net asset or fund balance deficit as of August 31, 2011:

Special Revenue - Impact Fees Fund	\$ (140,056)
Internal Service - Engineering Revolving Fund	(589,900)

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

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

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

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

General Fund	
Fire	\$ 41,024
Street Lighting	1,140,687
Debt Service	6,806

**(13) EMPLOYEES' RETIREMENT PLANS**

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

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2011

POLICE AND FIRE PENSION

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

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

Membership of the pension plan consisted of the following at August 31, 2011, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	415
Terminated plan members entitled to but not yet receiving benefits	28
Active plan members (non-DROP)	562
DROP members	52
Total	1,057
Number of participating employers	1

Funding Policy – The contribution requirements of plan members and the City are established by City Ordinance #15728 dated September 24, 1990, and may be amended by the City Council. Plan members are required to contribute between 7% and 8% of their annual covered salary based on an election made by the employee. The City is required to contribute at an actuarially determined rate; the rate for fiscal year 2011 was 13.34% of annual covered payroll. Actual contributions by the City were 12.12% of annual covered payroll. Administrative costs of PFDP are financed through investment earnings.

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

(Dollar amounts in thousands)

Annual required contribution	\$ 4,652
Interest on net pension obligation	269
Adjustment to annual required contribution	(426)
Annual pension cost	4,495
Contributions made	(4,334)
Increase in net pension obligation	161
Net pension obligation beginning	3,596
Net pension obligation ending	\$ 3,757

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2011

Three-Year Trend Information  
(Dollar amounts in thousands)

Year Ended August 31	Annual Pension Cost (APC)	Annual Pension Contribution	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 4,495	\$ 4,334	96 %	\$ 3,757
2010	3,576	3,963	111	3,596
2009	3,123	3,572	114	3,983

Actuarial Methods and Assumptions – The annual required contribution for the current year was determined as part of the August 31, 2009, actuarial valuation using the entry age actuarial funding method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5% per year compounded annually, (b) projected salary increases of 4.25 to 8.25% per year, including wage inflation at 4.25%, and (c) the assumption that benefits will not increase after retirement. The actuarial value of assets was determined using a five year smoothed market method. The unfunded actuarial accrued liability is being amortized as a level percentage of payrolls on an open basis over a period of thirty years.

Funded Status and Funding Progress – As of August 31, 2011, the most recent actuarial valuation date, the plan was 81 percent funded. The actuarial accrued liability for benefits was \$204,990,000, and the actuarial value of assets was \$165,436,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$39,554,000. The covered payroll (annual payroll of active employees covered by the plan) was \$35,763,000, and the ratio of the UAAL to the covered payroll was 110.6 percent.

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

ELECTRIC SYSTEM

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

LES has a defined contribution retirement plan created in accordance with Internal Revenue Code Section 401(K) covering all employees upon employment; however, employees are not eligible to receive employer contributions until they have been employed six months. The plan is a straight-money purchase plan, with plan assets held, managed and administered by a trustee. The LES administrative board of directors authorized this plan and related contribution requirements. LES' contribution is equal to 200% of the employees' contributions, which range from 1% to 5% of gross wages. Vesting of LES contributions occurs over a five-year period. Employee forfeitures are used to reduce employer contributions. Vested benefits are fully funded. For the year ended December 31, 2010, LES incurred contribution expense of approximately \$3,214,000 or 9.4% of covered payroll and its employees contributed approximately \$2,206,000 or 6.5% of covered payroll.

DEPARTMENT DIRECTORS

Directors of City departments are eligible the first of the month following the date employed to be covered by the Director's Money Purchase Plan, established by City Ordinance, and administered by an insurance company. The Plan is a defined contribution plan requiring contributions determined by the employees' date of hire. The City contributes 6% to 12% and the employee contributes 0% to 6% of earned income in one calendar year. Employees covered by the Plan may also make voluntary contributions. Participant accounts are immediately 100% vested. Total and covered payroll for the year ended December 31, 2010,

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2011

was \$1,821,626. City contributions totaled \$215,911 or 11.8% of covered payroll. There were no employee contributions made for the year ended December 31, 2010.

ALL OTHER CITY EMPLOYEES

All other City employees are eligible after 6 months' service and age 19 to be covered under the City's Money Purchase Pension Plan, established by City Ordinance, and administered by an insurance company. Enrollment in the program is mandatory at age 40 with 5 years service. Vesting occurs in increments between 3 and 7 years of enrollment in the plan. The Plan is a defined contribution plan requiring employees to contribute at a rate determined by the employees' bargaining unit and date of hire. The City contributes between \$1.29 and \$2.00 for every \$1.00 contributed by employees. Employee forfeitures are used to reduce employer contributions. Employees covered by the Plan may also make voluntary contributions. During the year ended December 31, 2010, total payroll was approximately \$75,906,000 and covered payroll was approximately \$67,347,000. City contributions totaled \$7,610,244 or 11.3% of covered payroll and employee contributions totaled \$3,847,900 or 5.7% of covered payroll. Employees made \$271,564 in voluntary contributions for the year ended December 31, 2010.

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

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

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

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

The net OPEB obligation as of August 31, 2011, was calculated as follows:

(Dollar amounts in thousands)

Annual required contribution	\$ 2,111
Interest on net OPEB obligation	108
Adjustment to annual required contribution	<u>(141)</u>
Annual OPEB cost	2,078
Contributions made	<u>(524)</u>
Increase in net OPEB obligation	1,554
Net OPEB obligation beginning	<u>2,401</u>
Net OPEB obligation ending	<u><u>\$ 3,955</u></u>

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2011

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

Year Ended <u>August 31</u>	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 2,078,000	25.2 %	\$ 3,955,000
2010	2,097,000	25.1	2,401,000
2009	656,000	37.2	830,000

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

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

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

In the September 1, 2009 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.5% discount rate and an annual healthcare cost trend rate of 9.5% initially, reduced by decrements to an ultimate rate of 5.0% for 2020 and beyond. Implicit in this medical trend rate is an underlying general inflation rate in the range of 3 to 4%. Participation assumptions include 60% of eligible civilian members and 40% of eligible Fire/Police members electing coverage, with 30% and 20% participation assumed for civilian and Fire/Police spouses, respectively. The plan's unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over a period of thirty years.

PEHP – Defined Contribution Plan

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

Terms for eligibility and contribution rates are specified in the City's various collective bargaining agreements. Individual employee accounts consist of employer contributions, investment returns and any forfeiture allocations. Current employer contributions range from \$18-\$50 per pay period based on union contracts. Current year contributions totaled approximately \$1,297,000.

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2011

**(15) PROPERTY TAXES**

The Home Rule Charter of the City imposes a tax ceiling for general revenue purposes. The City tax ceiling was established by using the September 1, 1966, City dollar tax limit as an initial tax limit, and increasing that tax limit each year following 1966 by 7% so that in each fiscal year thereafter the amount of the City tax limit shall be the amount of the City tax limit for the previous year plus 7% thereof. In addition, the City has the power to levy taxes each year sufficient to pay any judgment existing against the City, the interest on bonded debt, and the principal on bonded debt maturing during the fiscal year or within 6 months thereafter, as well as taxes authorized by state law. The 2010 tax levy, for the 2010-2011 fiscal year, was \$93,513,495 below the legal limit, with a tax rate per \$100 valuation of \$0.2879. The assessed value upon which the 2010 levy was based was \$15,881,260,420.

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

Within the government-wide financial statements, property taxes are recognized as revenue in the year for which they are levied. Property taxes levied for 2010-2011 are recorded as revenue in the fund financial statements when expected to be collected within 60 days after August 31, 2011. Prior-year levies were recorded using these same principles, and remaining receivables are re-evaluated annually. Property taxes expected to be collected after 60 days are recorded as deferred revenue on the fund balance sheets.

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

**(16) RISK MANAGEMENT**

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

For the year ended August 31, 2011, the City had a self-insured retention for workers' compensation exposures up to \$750,000 per individual; law enforcement liability, general liability, public officials liability, public transportation liability, medical professional liability, and auto liability exposures up to \$250,000 per occurrence; building and contents property exposures up to \$50,000 per occurrence; health and dental benefits, and employee long-term disability benefits.

The City also obtained excess liability insurance coverage in the current year. Workers' compensation was covered by a policy that provided statutory limits above the City's retention of \$750,000 per individual. Law enforcement, general, public officials, public transportation, medical professional, and auto liabilities were covered by policies that provided limits of \$6 million per occurrence with a \$12 million annual aggregate. Health had excess loss indemnity coverage above \$150,000 per claim and above 125% of the aggregate attachment point. The Nebraska Political Tort Claims Act limits the City's liability for tort claims to \$1 million per individual and \$5 million per occurrence.

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

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

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2011

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

The City funds its self-insurance program on an "incurred loss" basis. The governmental and proprietary funds pay annual premium amounts, based on past experience of incurred losses, to the Insurance Revolving Fund. Claim liabilities of \$10,788,956 were recorded at August 31, 2011. Excluding medical care claims approximating \$2,909,000, the remaining liability is the actuarially estimated amount of claims based on an estimate of ultimate incurred and incurred but not reported losses as of that date and is calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs, and other economic and social factors. The claims liability estimate also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of their allocation to specific claims. These liabilities have been discounted using a .50% discount rate. The City has purchased no annuity contracts in the current fiscal year to resolve City of Lincoln claims.

The following is a summary of the changes in the estimated claims liability for the years ended August 31, 2011 and 2010:

<u>2011</u>	Worker's Compensation and Others	Long-Term Disability	Health and Dental	Total
Balance at September 1	\$ 6,590,000	896,183	1,227,887	8,714,070
Current year claims and changes in estimates	2,977,000	230,886	22,315,628	25,523,514
Claims payments	(2,717,000)	(97,272)	(20,634,356)	(23,448,628)
Balance at August 31	<u>\$ 6,850,000</u>	<u>1,029,797</u>	<u>2,909,159</u>	<u>10,788,956</u>

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

LINCOLN ELECTRIC SYSTEM

LES has a self-funded health insurance program with claims processed by and on behalf of the utility. As part of the plan, a reinsurance policy has been purchased which covers claims in excess of \$150,000 per individual. Total accrual and payment history is shown below:

	<u>2010</u>	<u>2009</u>
Balance beginning of year	\$ 478,000	1,001,000
Claims accrued	5,098,000	7,185,000
Claims paid/other	(5,132,000)	(7,708,000)
Balance end of year	<u>\$ 444,000</u>	<u>478,000</u>

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2011

(17) **COMMITMENTS AND CONTINGENCIES**

GENERAL

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

At August 31, 2011, approximately 96% of the full-time, regular City's employees are represented by a Union. The existing union contracts will expire in August 2012.

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

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

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

The City has entered into various agreements with developers to build infrastructure for new developments. These commitments are included in the City's current 6 year capital improvement program or depending on when the commitment is due, will be included in the City's future capital improvement program. As of August 31, 2011, the City's commitment to developers is estimated to be approximately \$43,560,000.

STREET CONSTRUCTION PROJECTS

The City's Street Construction Capital Projects Fund has commitments under major construction contracts in progress of approximately \$4,400,000 as of August 31, 2011, which will be financed primarily through highway user fees, bond proceeds, federal and state grants, and developer contributions.

WEST HAYMARKET JOINT PUBLIC AGENCY

The West Haymarket JPA Fund has commitments under major construction contracts in progress of approximately \$22,000,000 as of August 31, 2011.

PARKING FACILITIES

The Lincoln Parking System has commitments under major contracts in progress of approximately \$7,000,000 as of August 31, 2011 for construction of the Catalyst One Garage project.

LINCOLN WASTEWATER SYSTEM

The Lincoln Wastewater System has commitments under major construction contracts in progress of approximately \$8,800,000 at August 31, 2011.

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2011

LINCOLN WATER SYSTEM

The Lincoln Water System has commitments under major construction contracts in progress of approximately \$572,000 as of August 31, 2011.

LINCOLN ELECTRIC SYSTEM

Participation Contracts with NPPD

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

LES is responsible for its respective participating interests in the two facilities' capital additions and improvements. LES's share of debt service payments necessary to retire the respective participating interests of principal and interest on bonds issued by NPPD for the facilities was approximately \$6,800,000 in 2011. LES recognizes its share of capital acquisition costs and debt service payments as power costs in the period the costs are billed with the exception of costs approved for deferral under ASC 980. Fixed cost payments under the agreements are on a participation basis whether or not such plants are operating or operable. LES recognized expense for its share of the total fixed costs of approximately \$16,600,000 in 2010.

The participation contracts continue until the facilities are removed from commercial operation or the final maturity occurs on the related debt incurred by NPPD to finance the facilities, whichever occurs last. The estimated fixed cost payments to NPPD under these contracts, including capital additions and improvements, debt service payments and fixed costs, and credits aggregate approximately \$19,000,000, \$21,600,000, \$25,100,000, \$24,200,000, and \$21,600,000, respectively, in each of the five years subsequent to December 31, 2010.

Laramie River Station (LRS)

LES is a 12.76 percent co-owner of the Missouri Basin Power Project, which includes LRS, a three-unit, 1,650 MW coal-fired generating station in eastern Wyoming and a related transmission system. Costs, net of accumulated depreciation, associated with LRS of approximately \$23,000,000 are reflected in utility plant at December 31, 2010.

LES has a participation power sales agreement with the County of Los Alamos, New Mexico (the County) whereby the County purchases from LES 10 MW of LES's capacity interest in LRS. The agreement provides for the County to pay LES monthly fixed payments for the repayment of debt service. The amount is subject to change each July 1 based on debt costs of LES relative to the current market rates, until termination of the agreement. The agreement remains in effect until either the final maturity occurs on any LRS related debt, LRS is removed from commercial operation, or the County gives LES six-months notice to terminate the agreement. During 2010, LES billed the County approximately \$3,100,000 for demand and energy charges.

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

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2011

Walter Scott Energy Center (WS4)

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

**(18) LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS**

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

At August 31, 2011, the City had incurred a liability of approximately \$9,774,000 for the municipal solid waste landfill which represents the amount of costs reported to date based on the approximately 50 percent of landfill capacity used to date. The remaining estimated liability for these costs is approximately \$9.9 million, which will be recognized as the remaining capacity is used (estimated to be approximately 22 years).

As of August 31, 2011, the City had incurred a liability of approximately \$600,000 for the construction and demolition debris landfill which represents the amount of costs reported to date based on the approximately 55 percent of landfill capacity used to date. The remaining estimated liability for these costs is approximately \$492,000, which will be recognized as the remaining capacity is used (estimated to be approximately 16 years).

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

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

The City of Lincoln also owns a solid waste disposal area that discontinued operations in 1990. Although exempt from the U.S. Environmental Protection Agency *Solid Waste Disposal Facility Criteria* issued October 9, 1991, the City must still adhere to certain closure and postclosure care requirements under prior legislation, including the construction of final cover, monitoring of ground water conditions and landfill gas migration, and general site maintenance. At August 31, 2011, a liability for closure and postclosure care costs is recorded in the amount of approximately \$4,258,000, which is based on appropriations identified in the City's capital improvement projects budgeting process. Additional corrective action costs related to possible landfill gas migration and groundwater conditions may be identified once testing is completed and the state regulatory agency has issued a final determination. These additional potential costs cannot be reasonably estimated and thus no liability has been accrued as of August 31, 2011.

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2011

**(19) FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

*Long-term debt* – The estimated fair value of the long-term debt is approximately \$75,013,000 for the Water System and \$96,296,000 for the Wastewater System based on borrowing rates currently available as of August 31, 2010.

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

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

**(20) SEGMENT INFORMATION**

The City has issued revenue bonds and other debt instruments to finance capital construction and acquisitions for both the Urban Development and Public Works/Utilities Departments. The Parking Facilities Division of the Urban Development Department operates the City's downtown parking garages and is accounted for in the Parking Facilities Fund. The Solid Waste Operations Section of the Public Works/Utilities Department operates the City's solid waste disposal sites, yard waste composting facility, and re-cycling drop-off program. Summary financial information for these divisions as of and for the year ended August 31, 2011, is presented as follows:

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2011

	Parking Facilities	Solid Waste Management
<b>CONDENSED STATEMENT OF NET ASSETS</b>		
Assets:		
Current Assets, excluding Due from Other Funds	\$ 7,496,923	6,227,775
Due from Other Funds	519,806	191,136
Restricted Assets	10,584,838	400,704
Deferred Charges	331,686	57,005
Capital Assets	44,762,125	22,340,099
Total Assets	63,695,378	29,216,719
Liabilities:		
Current Liabilities, excluding Due to Other Funds	5,111,428	1,010,646
Due to Other Funds	10,647	1,967
Noncurrent Liabilities	22,830,621	17,516,384
Total Liabilities	27,952,696	18,528,997
Net Assets:		
Invested in Capital Assets, Net of Related Debt	28,293,802	19,267,574
Restricted	641,849	14,817
Unrestricted	6,807,031	(8,594,669)
Total Net Assets	\$ 35,742,682	10,687,722
<b>CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS</b>		
Operating Revenues	\$ 7,124,602	5,561,258
Depreciation Expense	(1,133,980)	(1,969,068)
Other Operating Expenses	(3,606,008)	(6,386,050)
Operating Income (Loss)	2,384,614	(2,793,860)
Nonoperating Revenues (Expenses):		
Investment Earnings	124,644	(5,489)
Gain (Loss) on Disposal of Capital Assets	(30,599)	105
Insurance Recovery	-	7,403
Miscellaneous Revenue	448,772	-
Occupation Tax	-	2,059,361
Interest Expense and Fiscal Charges	(548,576)	(135,379)
Capital Contributions	4,583	-
Transfers	(972,386)	(1,009,083)
Change in Net Assets	1,411,052	(1,876,942)
Beginning Net Assets	34,331,630	12,564,664
Ending Net Assets	\$ 35,742,682	10,687,722
<b>CONDENSED STATEMENT OF CASH FLOWS</b>		
Net Cash Provided (Used) by:		
Operating Activities	\$ 3,121,543	91,576
Noncapital Financing Activities	(691,372)	1,228,591
Capital and Related Financing Activities	5,757,180	(4,543,179)
Investing Activities	(6,780,281)	1,789,738
Net Increase (Decrease) in Cash	1,407,070	(1,433,274)
Beginning Balance	3,555,045	2,340,362
Ending Balance	\$ 4,962,115	907,088

**(21) PLEGGED REVENUES**

The City has pledged future revenues derived from the operation of the Lincoln Wastewater System, net of operating and maintenance expenses, to repay \$100,530,890 in wastewater revenue bonds & loans. Proceeds provided financing for improvements to the sanitary sewer system, as well as refunding a \$4.5 million loan to the City from the Nebraska Department of Environmental Quality. The debt is payable solely from the net earnings of the Wastewater System and are payable through 2032. The total principal and interest remaining to be paid on the debt is \$122,182,913, with annual payments expected to require 59.2 percent of net revenues. Principal and interest paid for the current year and net system revenues were \$6,512,609 and \$11,002,406, respectively.

The City has pledged future revenues derived from the operation of the Lincoln Water System, net of operating and maintenance expenses, to repay \$106,110,000 in water revenue bonds. Proceeds from the

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2011

bonds provided financing for improvements to the water supply system, as well as refunding \$37.8 million of water revenue bonds. The bonds are payable solely from the net earnings of the Water System and are payable through 2034. The total principal and interest remaining to be paid on the bonds is \$89,677,532, with annual payments expected to require 62.6 percent of net revenues. Principal and interest paid for the current year and net system revenues were \$9,501,857 and \$15,174,479, respectively.

The City has pledged future revenues derived from the operation of the Lincoln Electric System, net of operating, maintenance and certain power expenses, to repay \$654,580,000 in electric revenue bonds. Proceeds from the bonds provided financing for construction of additional utility plant, as well as refunding certain issues of electric revenue bonds. The bonds are payable solely from the net earnings of the Electric System and are payable through 2037. The total principal and interest remaining to be paid on the bonds is \$951,515,000, with annual payments expected to require 50 percent of net revenues. Principal and interest paid for the current year and net system revenues were \$45,947,000 and \$94,375,000, respectively.

The City has pledged future revenues derived from the operation of the Lincoln Parking System, net of operating and maintenance expenses, and amounts, if any, distributed by the State for street purposes to repay \$26,585,000 in parking revenue bonds. Proceeds from the bonds provided financing for construction and improvements to the parking system, as well as refunding \$5,525,000 of Series 1994A parking revenue bonds. The bonds are payable solely from the net earnings of the Parking System and are payable through 2031. The total principal and interest remaining to be paid on the bonds is \$37,673,781, with annual payments expected to require 45 percent of net revenues. Principal and interest paid for the current year and net system revenues were \$1,269,717 and \$4,092,010, respectively.

The City has pledged future revenues derived from the operation of the municipally owned solid waste management facilities, net of operating and maintenance expenses, to repay \$4,000,000 in solid waste management revenue bonds. Proceeds from the bonds provided financing for improvements to the solid waste facilities. The bonds are payable solely from the net earnings of the Solid Waste System and are payable through 2021. The total principal and interest remaining to be paid on the bonds is \$3,819,887, with annual payments expected to require 23 percent of net revenues. Principal and interest paid for the current year and net system revenues were \$342,425 and \$1,242,077, respectively.

**(22) PUBLIC BUILDING COMMISSION**

In 1990, the City and the County of Lancaster, pursuant to state statute, activated a separate governmental entity denominated as the Lincoln-Lancaster County Public Building Commission. The purpose of this joint venture is to design, acquire, construct, maintain, operate, improve, remodel, remove and reconstruct, so long as its corporate existence continues, public buildings, structures, or facilities for use jointly by the City and the County. The City and the County each appoint two members to the five-member Commission, with the fifth member being appointed by the other four members. All property held or acquired by the Commission is held or acquired in the name of the City and the County for use by the Commission in its corporate capacity. The Commission's costs of operation and debt service are funded through rental payments made by the City and the County based upon their proportionate occupancy of such buildings to the extent not covered by a maximum property tax levy of 1.7 cents for each \$100 of actual valuation of taxable property in the County. For the year ended August 31, 2011, the City made rental payments of approximately \$2.8 million to the Commission.

As of August 31, 2011, the Commission has bonds outstanding of \$41,240,000 attributable to several bond issues. Certain proceeds from the bonds totaling \$28,945,000 have been utilized by the Commission to acquire, construct, and/or renovate certain buildings occupied by the City and County. The City's proportionate share of such buildings are recorded as capital assets and the corresponding debt are reflected as capital leases in the City's financial statements. Lease payments are not recorded as capital lease payments in the Debt Service funds but rather are recorded as current expenditures in the various individual funds.

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2011

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

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

**(23) JOINT ANTELOPE VALLEY AUTHORITY**

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

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

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

For the year ended August 31, 2011, total assets of JAVA reached approximately \$189 million, an increase of \$7 million from the prior year. The City's equity interest increased by approximately \$6 million to \$159 million.

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

**(24) JOINTLY GOVERNED ORGANIZATIONS**

District Energy Corporation

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

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2011

The DEC Board of Directors, under a management agreement, has appointed LES to supervise and manage the system and business affairs of DEC. LES is reimbursed for these management services based on the allocated actual costs of these services. LES also provides electric energy to DEC at an established rate schedule. The total amount of payments to LES for management, operations, and maintenance services was approximately \$574,000 in 2010. The increase is due to management of the new SW 40<sup>th</sup> Thermal Energy System plant construction. The total amount of payments to LES for energy was approximately \$95,000 in 2010.

Nebraska Utility Corporation

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

Operations commenced in January 2002. The NUCorp board of directors, under a twenty-year management agreement, appointed LES to supervise and manage the system and business affairs of NUCorp. LES is reimbursed for these management services based on the allocated actual costs of these services. LES also provides electric energy to NUCorp on an established rate schedule. The total payment to LES for management, operations, and maintenance services was approximately \$120,000 in 2010. The total amount of payments to LES for energy was approximately \$11 million in 2010.

**(25) SUBSEQUENT EVENTS**

In November 2011, the City issued \$4,600,000 in Certificates of Participation, Series 2011B, to provide funds for the acquisition of street lights, computer software, and construction and equipping a new golf clubhouse. Interest rates range from 2.000 to 2.625 percent and the final maturity is September 2021. Debt service principal payments are scheduled annually at amounts that range from \$350,000 to \$605,000.

Also in November 2011, the City issued \$3,000,000 of General Obligation Special Assessment Revolving Fund Bonds, Series 2011B, to provide funds to maintain and replenish the Special Assessment Revolving Fund for the purpose of paying the costs of improvements. The interest rates on the bonds range from 2.000 to 3.500 percent and the final maturity is August 2031. Debt service principal payments are scheduled annually at amounts that range from \$120,000 to \$200,000.

**CITY OF LINCOLN, NEBRASKA**  
**Required Supplementary Information**  
**August 31, 2011**

**Schedule of Funding Progress for PFDP Pension**  
(dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
August 31, 2011	\$ 165,436	\$ 204,990	\$ 39,554	80.7 %	\$ 35,763	110.6 %
August 31, 2010	172,317	195,206	22,889	88.3	34,233	66.9
August 31, 2009	177,526	187,292	9,766	94.8	33,450	29.2
August 31, 2008	179,390	179,376	(14)	100.0	32,266	(0.0)
August 31, 2007	171,264	169,587	(1,677)	101.0	30,546	(5.5)
August 31, 2006	157,527	161,583	4,056	97.5	30,724	13.2

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

Year Ended August 31	Annual Required Contribution	Annual Pension Contribution	Percentage Contributed
2011	\$ 4,652	\$ 4,334	93 %
2010	3,752	3,963	106
2009	3,316	3,572	108
2008	4,076	3,456	85
2007	4,056	3,494	86
2006	4,077	2,893	71

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

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

**APPENDIX C**

**DEFINITIONS AND SUMMARIES  
OF CERTAIN PRINCIPAL DOCUMENTS**

## APPENDIX C

### DEFINITIONS AND SUMMARIES OF CERTAIN PRINCIPAL DOCUMENTS

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

#### Definitions

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

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

**“Architect”** means the architect selected by the City for the Project, or any other architect or engineer hired by the City with respect to the Project.

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

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

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

**“Basic Rent Payment Date”** means, with respect to the Series 2012 Certificates, each June 1 and December 1 during the Lease Term, commencing on June 1, 2013.

**“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 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 2010 Certificates, the Series 2012 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.

**“Communication Equipment”** means the new electronic communication equipment and related software acquired by the City, a portion of which will be leased to the County pursuant to the Sublease.

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

**“Completion Date”** means the date of completion of the 2012 Project as that date shall be certified as provided in the Lease.

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

**“Continuing 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.

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

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

**“County”** means The County of Lancaster, Nebraska.

**“Declaration of Trust”** means the Declaration of Trust dated November 18, 2010, made by the Trustee, as the same may from time to time be amended or supplemented in accordance with its terms.

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

**“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.

**“First Supplemental Declaration”** means the First Declaration of Trust Supplement, dated October 17, 2012, made by the Trustee.

**“First Supplemental Lease”** means the First Lease Purchase Agreement Supplement, dated October 17, 2012, between the Trustee and the City.

**“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 that mature as to principal and interest in such amounts and at such times as will insure the availability of sufficient money to timely pay such principal and interest.

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

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

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

**“Lease”** means the Lease Purchase Agreement, dated November 18, 2010, between the Trustee, as lessor, and the City, as lessee, as amended and supplemented from time to time in accordance with its terms.

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

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

**“Lease Term”** means the term of the Lease beginning November 18, 2010 and ending on June 1, 2027, 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.

**“Original Declaration”** means the Declaration of Trust, dated November 18, 2010, executed and delivered by the Trustee, pursuant to which the Series 2010 Certificates were executed and delivered.

**“Original Lease”** means the Lease Purchase Agreement, dated November 18, 2010, between the Trustee, as lessor, and the City, as lessee, with respect to the 2010 Project.

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

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

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

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

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

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

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

**“Project”** means, collectively, the 2010 Project and the 2012 Project.

**“2010 Project”** means the Project Site, together with the remodeling, renovation, equipping and furnishing of the buildings and facilities thereon to the extent paid from the proceeds of the Series 2010 Certificates.

**“2012 Project”** means, collectively, (a) acquiring and installing the Street Lights, (b) acquiring, installing and implementing the Communication Equipment and (c) remodeling, renovating, equipping and furnishing additional portions of the 2010 Project.

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

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

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

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

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

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

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

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

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

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

**“Series 2010 Certificates”** means the \$7,780,000 original principal amount of Series 2010B Certificates of Participation as defined in the Declaration of Trust.

**“Series 2012 Certificates”** means the \$[Principal Amount] aggregate principal amount Certificates of Participation, Series 2012, evidencing a proportionate interest in Basic Rent Payments to be made by The City of Lincoln, Nebraska, pursuant to a Lease Purchase Agreement, executed and delivered pursuant to the Declaration of Trust.

**“Site Lease”** means the Site Lease dated November 18, 2010, between, the City, as lessor, and the Trustee, as lessee.

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

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

**“Street Lights”** means the new street light poles and related equipment acquired from the proceeds of the Series 2012 Certificates to adequately light certain of the City’s streets.

**“Sublease”** means the Sublease Agreement, dated October 17, 2012, between the City, as sublessor, and The County of Lancaster, Nebraska, as sublessee, as the same may be amended and supplemented from time to time in accordance with its terms.

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

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

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

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

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

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

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

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

### **General Provisions**

The Declaration of Trust is made by the Trustee. The Declaration of Trust authorizes the Trustee to execute and deliver the Series 2012 Certificates, provides the terms of the Series 2012 Certificates and provides for various Funds related to the Project and the Lease.

### **Trust Estate**

Under the Declaration of Trust, the Trustee holds all of the assets, property and interests received by it under the terms of the Declaration of Trust, the Site Lease and the Lease and all agreements and instruments contemplated thereby (except the Rebate Fund and any compensation, indemnification or other amounts which may be due directly to the Trustee thereunder, collectively, the **“Trust Estate”**), as

trustee, upon the terms and trusts set forth under the Declaration of Trust for the equal and proportionate benefit, security and protection of all present and future Owners of the Certificates.

### **Additional Certificates**

Upon the execution and delivery of a Supplemental Lease that provides for an increase in the amount of Basic Rent payable under the Lease and so long as no Event of Default exists, Additional Certificates evidencing the right of the Owners thereof to receive the Principal Portion and the Interest Portion of such additional Basic Rent may be executed and delivered under and equally and ratably secured by the Declaration of Trust on a parity with the Series 2010 Certificates, the Series 2012 Certificates and any other Additional Certificates, at any time and from time to time, upon compliance with the conditions provided in the Declaration of Trust, for the purpose of providing funds to pay all or any part of the cost of (a) repairing, replacing or restoring the Project, (b) improving, upgrading or modifying the Project, (c) additional improvements to the Project or the acquisition of additional real property to be included in the Project or the acquisition, purchase, construction or equipping of additions to or expansions of or remodeling or modification of the Project, and (d) refunding any or all of the Certificates.

### **Establishment of Funds**

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

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

### **Application of Lease Revenues**

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

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

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

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

Payment shall be made from money in the Project Fund upon receipt by the Trustee of a requisition certificate therefor signed by an Authorized Representative of the City, and except for requisitions for Costs of Issuance, an architect, engineer or contractor (which architect, engineer or contractor will not be an employee of the City). The Completion Date of the 2012 Project and the payment of all Costs of the 2012 Project (other than Costs of the 2012 Project for which sufficient amounts are retained in the Project Fund) shall be evidenced by the filing with the Trustee of the Completion Certificate pursuant to the Lease. As soon as practicable any balance remaining in the Project

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

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

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

### **Rebate Fund**

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

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

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

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

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

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

money in the Project Fund or the Lease Revenue Fund or (c) create a preference or priority of any Certificate or Certificates over any other Certificate or Certificates without the consent of the Owners of all of the Certificates then Outstanding.

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

## **Defaults**

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

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

## **Acceleration**

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

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

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

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

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

### **Rights of Certificate Owners**

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

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

### **Defeasance**

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

## **The Trustee**

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

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

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

## **SUMMARY OF THE LEASE**

### **General**

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

### **Lease Term**

The term of the Lease begins November 18, 2010 and ends on June 1, 2027, unless earlier terminated in accordance with the provisions thereof.

### **Obligations Unconditional**

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

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

### **Net Lease**

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

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

Costs and expenses of every nature incurred in the acquisition, construction or installation of the 2012 Project that qualify as Costs of the 2012 Project shall be paid by the Trustee from the Project Fund upon receipt by the Trustee of a completed request of the City signed by the Authorized Representative of the City, and except for requisitions for Costs of Issuance, the Architect and containing the statements, representations and certifications set forth in the form of such request attached to the Declaration of Trust.

### **Completion Date; Excess Funds**

The Completion Date shall be evidenced to the Trustee upon receipt by the Trustee of a certificate signed by the Authorized Representative of the City (the “**Completion Certificate**”) stating (a) the date on which the 2012 Project was substantially completed, (b) that all other facilities necessary in connection with the 2012 Project have been purchased, constructed and installed, (c) that the 2012 Project and such other facilities have been purchased, constructed, made and installed in accordance with the plans and specifications therefor and in conformance with all applicable zoning, planning, building, environmental and other similar governmental regulations, (d) that, except for Costs of the 2012 Project described in accordance with clause (e), all Costs of the 2012 Project have been paid, and (e) the amounts, if any, to be retained in the Project Fund for the payment of Costs of the 2012 Project, if any, not yet due or Costs of the 2012 Project whose liability the City is contesting, and amounts that otherwise should be retained and the reasons they should be retained. The Completion Certificate may state that it is given without prejudice to any rights of the City that then exist or may subsequently come into being against third parties. Any amounts remaining in the Project Fund that are not needed to pay any remaining Costs of the 2012 Project shall be transferred to the Lease Revenue Fund.

### **Enjoyment of the Project**

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

### **Basic Rent**

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

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

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

### **Supplemental Rent**

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

### **Increased Basic Rent**

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

### **Disclaimer of Warranties**

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

### **Deficiency of Project Fund**

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

### **Impositions**

The City will bear, pay and discharge, before the delinquency thereof, as Supplemental Rent, all taxes and assessments, general and special, if any, that may be lawfully taxed, charged, levied, assessed or imposed upon or against or be payable for or in respect of the Project, including any taxes and

assessments not of the kind enumerated above to the extent that the same are lawfully made, levied or assessed in lieu of or in addition to taxes or assessments now customarily levied against real or personal property, and further including all water and sewer charges, assessments and other general governmental charges and impositions whatsoever, foreseen or unforeseen, that if not paid when due would impair the security of the Trustee or encumber the Project (all of the foregoing being herein referred to as “**Impositions**”).

### **Contest of Impositions**

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

### **Insurance**

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

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

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

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

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

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

### **Enforcement of Construction Agreement and Surety Bonds**

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

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

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

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

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

## **Damage, Destruction and Condemnation**

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

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

## **Purchase Option**

(a) The City will have the option to purchase the Trustee's interest in the 2010 Project, upon giving written notice to the Trustee at least 30 days before the date of purchase, at the following times and on the following terms:

(1) On or after November 1, 2020, upon payment in full of Rent Payments with respect to the 2010 Project then due hereunder plus a Purchase Price equal to 100% of the remaining Principal Portions of Basic Rent with respect to the 2010 Project for the Lease Term, plus Interest Portions of Basic Rent with respect to the 2010 Project accrued to the prepayment date.

(2) Upon deposit of moneys or Government Obligations or both with the Trustee in accordance with **Article X** of the Declaration of Trust in the amount necessary to provide for the Basic Rent Payments with respect to the 2010 Project until and on, and the Purchase Price calculated as described in (a) above on the Certificates, to the prepayment date, which will be on or after November 1, 2020.

(b) The City will have the option to purchase the Trustee's interest in the 2012 Project, upon giving written notice to the Trustee at least 30 days before the date of purchase, at the following times and on the following terms:

(1) On or after June 1, 2022, upon payment in full of Rent Payments with respect to the 2012 Project then due hereunder plus a Purchase Price equal to 100% of the remaining Principal Portions of Basic Rent with respect to the 2012 Project for the Lease Term, plus Interest Portions of Basic Rent with respect to the 2012 Project accrued to the prepayment date.

(2) Upon deposit of moneys or Government Obligations or both with the Trustee in accordance with **Article X** of the Declaration of Trust in the amount necessary to provide for the Basic Rent Payments with respect to the 2012 Project 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 June 1, 2022.

(3) Notwithstanding anything in the First Lease Supplement to the contrary, (A) the Trustee's interest in the Communication Equipment shall be deemed purchased upon payment of all of the Basic Rent Payments with respect to the 2012 Project through and including June 1, 2016, and (B) the Trustee's interest in the Street Lights shall be deemed purchased upon payment of all of the Basic Rent Payments with respect to the 2012 Project through and including June 1, 2022.

### **Partial Prepayment**

The City will have the option to prepay (a) the Basic Rent Payments with respect to the 2010 Project in part, upon giving written notice to the Trustee at least 30 days before the date of such prepayment, at any time on or after November 1, 2020, at the Prepayment Price equal to the Principal Portion of Basic Rent with respect to the 2010 Project being so prepaid plus the Interest Portion of Basic Rent with respect to the 2010 Project accrued thereon to such Basic Rent Payment Date, and (b) the Basic Rent Payments with respect to the 2012 Project 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 June 1, 2022, at the Prepayment Price equal to the Principal Portion of Basic Rent with respect to the 2012 Project being so prepaid plus the Interest Portion of Basic Rent with respect to the 2012 Project accrued thereon to such Basic Rent Payment Date.

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

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

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

### **Events of Default**

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

(a) Failure by the City to make any deposits required by the Lease 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 subparagraphs (a) or (b) above, for a period of 30 days after written notice specifying such failure and requesting that it be remedied is given to the City by the Trustee, unless the Trustee will agree in writing to an extension of such time prior to its expiration; provided that, if the failure stated in the notice cannot be corrected within the applicable period, the Trustee will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the City within the applicable period and diligently pursued until the default is corrected;

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

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

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

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

### **Remedies on Default**

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

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

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

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

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

**APPENDIX D**  
**BOOK-ENTRY SYSTEM**

## BOOK-ENTRY SYSTEM

The Depository Trust Company, New York, NY, will act as securities depository for the Series 2012 Certificates. The Series 2012 Certificates will be issued in fully registered form registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2012 Certificate will be issued for each maturity of the Series 2012 Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Series 2012 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2012 Certificates on DTC's records. The ownership interest of each actual purchaser of each Series 2012 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 2012 Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2012 Certificates, except in the event that use of the book-entry system for the Series 2012 Certificates is discontinued.

To facilitate subsequent transfers, all Series 2012 Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2012 Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2012 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2012 Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2012 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2012 Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Series 2012 Certificate documents. For example, Beneficial Owners of Series 2012 Certificates may wish to ascertain that the nominee holding the Series 2012 Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Series 2012 Certificates within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2012 Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2012 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2012 Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City, or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Series 2012 Certificates held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the City, subject to any statutory or regulatory requirements as may be in effect from time to time.

Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2012 Certificates at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2012 Certificates will be printed and delivered to DTC.

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

**APPENDIX E**

**FORM OF OPINION OF  
SPECIAL TAX COUNSEL**

**FORM OF OPINION OF  
SPECIAL TAX COUNSEL**

October 17, 2012

The City of Lincoln, Nebraska  
Lincoln, Nebraska

Union Bank and Trust Company, Trustee  
Lincoln, Nebraska

BofA Merrill Lynch  
New York, New York

Re: \$10,000,000 Certificates of Participation, Series 2012, evidencing proportionate interests in Basic Rent Payments to be made by The City of Lincoln, Nebraska

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Ladies and Gentlemen:

We have acted as special tax counsel in connection with a transaction involving the above-captioned Certificates of Participation (the "Certificates"), evidencing proportionate interests of the owners thereof in Basic Rent Payments to be made by The City of Lincoln, Nebraska (the "City") under a Lease Purchase Agreement, dated November 18, 2010, as amended and supplemented from time to time, including, without limitation, a First Lease Purchase Agreement Supplement, dated October 17, 2012 (collectively, the "Lease"), between Union Bank and Trust Company, a state banking corporation (the "Trustee"), and the City. Capitalized terms used herein and not otherwise defined herein will have the meanings assigned to such terms in the Lease.

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

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

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

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

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

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

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

The rights of the owners of the Certificates and the enforceability of the Certificates, the Declaration of Trust, the Lease, the Site 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,