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

NEW ISSUE
BOOK-ENTRY

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

*In the opinion of Gilmore & Bell, P.C., Bond Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), (1) the interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, (2) the interest on the Bonds is exempt from Nebraska income taxation by the State of Nebraska and (3) the Bonds have not been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. See **"TAX MATTERS"** in this Official Statement.*

OFFICIAL STATEMENT

$100,000,000
LINCOLN, NEBRASKA WEST HAYMARKET JOINT PUBLIC AGENCY
(The City of Lincoln, Nebraska and The Board of Regents of the University of Nebraska)
GENERAL OBLIGATION FACILITY BONDS
SERIES 2011

Dated: date of delivery

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

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

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

The West Haymarket Joint Public Agency (the **"Agency"**) will use the proceeds of the Bonds to pay the costs of (a) a sports/entertainment arena (the "**Arena**"), roads, streets, sidewalks, pedestrian overpass, public plaza space, sanitary sewer mains, water mains, electric transmission lines, drainage systems, flood control, parking garages and surface parking lots (collectively, the "**West Haymarket Facilities**"), acquiring land and relocating existing businesses, undertaking environmental remediation and site preparation as necessary and appropriate for the construction, equipping, furnishing and financing of the West Haymarket Facilities (collectively, the "**Projects**," and, individually, a "**Project**") pursuant to the Joint Public Agency Act (Chapter 13, Article 25, Reissue Revised Statutes of Nebraska, as amended, the **"JPA Act"**), and certain agreements described herein, and (b) issuing the Bonds. The Agency may also use proceeds of the Bonds to purchase general obligation bonds of The City of Lincoln, Nebraska (the **"City"**) issued to pay all or a portion of the costs of one or more Projects. See **"PLAN OF FINANCING."**

The Bonds are issued pursuant to the terms of a resolution duly passed by the Board of the Agency on July 29, 2011 (the "**Resolution**"). The Bonds are general obligations of the Agency payable, unless paid from other sources, from taxes levied by valuation on all taxable property without limitation as to rate or amount in the City, pursuant to the provisions of the JPA Act and the Joint Public Agency Agreement Creating the West Haymarket Joint Public Agency, dated as of April 1, 2010, between the City and The Board of Regents of the University of Nebraska (the "**Regents**"), as amended and supplemented from time to time, including, without limitation, the Amended and Restated Joint Public Agency Agreement of the West Haymarket Joint Public Agency, dated January 10, 2011 (collectively, the "**JPA Agreement**"), between the City and the Regents. Pursuant to the Facilities Agreement, dated September 8, 2010 (as amended from time to time, the "**Facilities Agreement**") between the City and the Agency, (a) the City is obligated to collect all revenues, receipts and income received by the Agency from any source (the "**Revenues**") and (b) in the event that 45 days prior to the payment date of any principal or interest on Bonds, amounts in the Debt Service Fund are insufficient to fully pay the principal of or interest on all outstanding Bonds, the City is obligated to loan to the Agency the full amount of any such deficiency not later than such date of payment. Any such loan, together with interest accrued thereon, shall be repaid to the City (a) first, from the first receipts of Revenues, and (b) second, from taxes levied and collected by the Agency pursuant to the provisions of the Facilities Agreement. If the projected actual Available Revenues (defined to be all cash receipts of the Agency, plus unrestricted amounts in the Surplus Fund, less all cash payments of the Agency, including, without limitation, debt service on Bonds, operation and maintenance expenses and deposits to the Depreciation and Replacement Fund) for the fiscal year are less than the budgeted Available Revenues for such fiscal year by $1,000,000 or more, the Agency is obligated to implement the Agency Bond Levy. See **"THE AGENCY," "SECURITY," "NEBRASKA LAWS RELATED TO BUDGETS AND TAXATION"** and **"APPENDIX D – SUMMARY OF PRINCIPAL DOCUMENTS – JPA Agreement**" and **"- Facilities Agreement."**

MATURITY SCHEDULE – SEE INSIDE COVER

BofA Merrill Lynch

AMERITAS INVESTMENT CORP.
has acted as Financial Advisor

The Bonds are offered in book-entry form only when, as and if issued by the Agency and accepted by the Underwriter, subject to the approval of legality by Gilmore & Bell, P.C., Lincoln, Nebraska, Bond Counsel. Certain legal matters will be passed upon for the City and the Agency by Rodney M. Confer, City Attorney and general counsel to the Agency. It is expected that the Bonds in definitive form will be available for delivery through DTC on or about August 24, 2011.

The Date of this Official Statement is August 9, 2011.

MATURITY SCHEDULE

$100,000,000

LINCOLN, NEBRASKA WEST HAYMARKET JOINT PUBLIC AGENCY
(The City of Lincoln, Nebraska and The Board of Regents of the University of Nebraska)
GENERAL OBLIGATION FACILITY BONDS
SERIES 2011

Maturity (December 15)	Principal Amount	Rate of Interest	Yield	Price	CUSIP Number (534366)
2021	$ 3,115,000	5.00%	2.58%	121.778%	AZ2
2022	3,190,000	5.00	2.76*	119.973	BA6
2023	3,275,000	5.00	2.93*	118.298	BB4
2024	3,370,000	5.00	3.07*	116.939	BC2
2025	3,470,000	5.00	3.19*	115.789	BD0
2026	3,575,000	5.00	3.28*	114.936	BE8
2027	3,695,000	3.50	3.67	97.923	BF5
2028	3,820,000	4.00	3.76*	102.030	BG3
2029	3,965,000	4.00	3.85*	101.261	BH1
2030	4,115,000	4.00	3.94*	100.499	BJ7
2031	4,270,000	4.00	4.06	99.170	BK4
2032	4,430,000	4.00	4.12	98.304	BL2
2036‡	19,585,000	4.25	4.37	98.168	BM0
2042‡	36,125,000	5.00	4.17*	106.890	BN8

* Yield to date of earliest optional redemption
‡ Term Bonds

LINCOLN, NEBRASKA WEST HAYMARKET JOINT PUBLIC AGENCY

Jayne Snyder (City Council)	Chair and Representative
Tim Clare (Regent)	Vice Chair and Representative
Chris Beutler (Mayor)	Representative
Dan Marvin	Secretary
Don Herz	Treasurer
Rodney Confer	General Counsel

THE CITY OF LINCOLN, NEBRASKA

Mayor

Chris Beutler

City Council

Eugene Carroll (Chair)

Jon Camp
Jonathan Cook
Adam Hornung
Doug Emery
Carl Eskridge
Jayne Snyder

City Administration

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

Peggy Tharnish, City Controller

UNDERWRITER

Merrill Lynch, Pierce, Fenner & Smith, Inc.

REGISTRAR AND PAYING AGENT

Union Bank and Trust Company

FINANCIAL ADVISOR

Ameritas Investment Corp.

BOND COUNSEL

Gilmore & Bell, P.C.

REGARDING USE OF THIS OFFICIAL STATEMENT

AUTHORIZED INFORMATION AND REPRESENTATIONS

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

REGISTRATION EXEMPTION

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

FORWARD-LOOKING STATEMENTS

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

TABLE OF CONTENTS

	Page
INTRODUCTION	1
THE AGENCY	3
THE CITY	4
PLAN OF FINANCING	4
THE BONDS	7
SECURITY	9
NEBRASKA LAWS RELATED TO BUDGETS AND TAXATION	10
LEGAL MATTERS	11
TAX MATTERS	11
CONTINUING DISCLOSURE	13
MISCELLANEOUS	15

THE CITY OF LINCOLN, NEBRASKA – GENERAL, ECONOMIC AND FINANCIAL INFORMATION	APPENDIX A
THE CITY OF LINCOLN, NEBRASKA - ACCOUNTANT'S REPORT AND AUDITED FINANCIAL STATEMENTS	APPENDIX B
WEST HAYMARKET JOINT PUBLIC AGENCY - ACCOUNTANT'S REPORT AND AUDITED FINANCIAL STATEMENTS	APPENDIX C
SUMMARY OF PRINCIPAL DOCUMENTS	APPENDIX D
PROJECTED CASH FLOWS	APPENDIX E
FORM OF OPINION OF BOND COUNSEL	APPENDIX F
BOOK-ENTRY SYSTEM	APPENDIX G

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

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

(THIS PAGE LEFT BLANK INTENTIONALLY)

OFFICIAL STATEMENT

$100,000,000
LINCOLN, NEBRASKA WEST HAYMARKET JOINT PUBLIC AGENCY
(The City of Lincoln, Nebraska and The Board of Regents of the University of Nebraska)
GENERAL OBLIGATION FACILITY BONDS
SERIES 2011

INTRODUCTION

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

Purpose of the Official Statement

The purpose of this Official Statement is to furnish information relating to (a) the West Haymarket Joint Public Agency (the **"Agency"**), (b) The City of Lincoln, Nebraska (the **"City"**), and (c) the Agency's $100,000,000 principal amount General Obligation Facility Bonds, Series 2011, dated the date of delivery thereof (the **"Bonds"**).

The Agency

The Agency was created pursuant to (a) the Joint Public Agency Act (Chapter 13, Article 23, Reissue Revised Statutes of Nebraska, as amended, the **"JPA Act"**) and (b) the Joint Public Agency Agreement Creating the West Haymarket Joint Public Agency, dated as of April 1, 2010, between the City and The Board of Regents of the University of Nebraska (the **"Regents"**), as amended and supplemented from time to time, including, without limitation, the Amended and Restated Joint Public Agency Agreement of the West Haymarket Joint Public Agency, dated January 10, 2011 (collectively, the **"JPA Agreement"**), between the City and the Regents. The Agency was created (a) for purposes of constructing, equipping, furnishing and financing public facilities in the West Haymarket Redevelopment Area (herein defined) of the City including, but not limited to, a sports/entertainment arena (the "**Arena**"), roads, streets, sidewalks, pedestrian overpass, public plaza space, sanitary sewer mains, water mains, electric transmission lines, drainage systems, flood control, parking garages and surface parking lots (collectively, the "**West Haymarket Facilities**"), and (b) to acquire land and to relocate existing businesses, to undertake environmental remediation and site preparation as necessary and appropriate for the construction, equipping, furnishing and financing of the West Haymarket Facilities (collectively, as described in the Bond Resolution (hereinafter defined), as the same may be amended from time to time, the **"Projects,"** and, individually, a **"Project"**).

The Projects

The Projects consist of constructing, equipping, furnishing and financing various public facilities in the West Haymarket Redevelopment Area of the City including, but not limited to, the Arena, roads, streets, sidewalks, pedestrian overpass, public plaza space, sanitary sewer mains, water mains, electric transmission lines, drainage systems, flood control, parking garages and surface parking lots, and acquiring land and relocating existing businesses, undertaking environmental remediation and site preparation as necessary and appropriate for the construction, equipping, furnishing and financing of the West Haymarket Facilities. The Agency has acquired most of the property on which the Projects will be constructed, equipped and furnished from the Burlington Northern Santa Fe (**"BNSF"**)and Union Pacific Railroads and other Third Party Owners. The Agency has entered into an agreement with BNSF to purchase the remainder of the property for the Projects. The Arena Projects (consisting of the Arena and related parking improvements consisting of the surface parking lot northwest of the BNSF tracks, the parking garage adjacent to the Arena and the surface parking lot on the Arena site) will be owned by the Agency until the Bonds are no longer outstanding, at which time the Agency will transfer ownership of the Arena Projects to the City. The remaining Projects will be transferred to the City upon the completion of construction of such Projects. The City will operate and maintain all of the Projects pursuant to a Facilities Agreement dated September 8, 2010 (the **"Facilities Agreement"**) between the City and the Agency. See **"PLAN OF FINANCING – The Projects"** and **APPENDIX D - SUMMARY OF PRINCIPAL DOCUMENTS – Facilities Agreement."**

The City

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

The Regents

The Regents are a public body corporate duly created and existing under the laws of the State of Nebraska. Pursuant to a Memorandum of Understanding dated as of March 31, 2010 (the **"MOU"**) between the City and the Regents, the Regents have agreed to lease the Arena for a term of 30 years, which is anticipated to begin on September 1, 2013, to play the University of Nebraska-Lincoln men's and women's varsity basketball home games. The terms of the MOU will be formalized through an Operating Agreement between the City and the Regents, which is expected to be executed and delivered by the parties by November 2011. Other than the payment of rent for its use of the Arena pursuant to the Operating Agreement, the Regents have no obligation to pay the principal or redemption price of and interest on the Bonds. The Regents' outstanding bonds are rated "Aa1" by Moody's Investors Service, Inc. and "AA" by Standard & Poor's. See "**APPENDIX D - SUMMARY OF PRINCIPAL DOCUMENTS – Memorandum of Understanding**."

The Bonds

The Bonds will be issued pursuant to a Bond Resolution passed July 29, 2011 (the **"Bond Resolution"**) by the Agency for the purpose of paying (a) all or a portion of the costs of one or more Projects, including, without limitation, the purchase of general obligation bonds of the City issued to pay certain costs of one or more of such Projects, and (b) the costs of issuing the Bonds. See **"PLAN OF FINANCING"** and **"THE BONDS."**

Security and Source of Payment

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

Financial Statements

The audited financial statements of the Agency, as of and for the period ended August 31, 2010, are included in "**APPENDIX C – WEST HAYMARKET JOINT PUBLIC AGENCY - ACCOUNTANT'S REPORT AND AUDITED FINANCIAL STATEMENTS."** These financial statements have been audited by BKD, LLP, independent auditors, to the extent and for the periods indicated in their report, which is also included in **"APPENDIX C – WEST HAYMARKET JOINT PUBLIC AGENCY - ACCOUNTANT'S REPORT AND AUDITED FINANCIAL STATEMENTS."**

The audited financial statements of the City, as of and for the year ended August 31, 2010, are included in "**APPENDIX B – THE CITY OF LINCOLN, NEBRASKA - ACCOUNTANT'S REPORT AND AUDITED FINANCIAL STATEMENTS."** These financial statements have been audited by BKD, LLP, independent auditors, to the extent and for the periods indicated in their report, which is also included in **"APPENDIX B – THE CITY OF LINCOLN, NEBRASKA - ACCOUNTANT'S REPORT AND AUDITED FINANCIAL STATEMENTS."**

Ratings

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

THE AGENCY

The Agency was created on April 2, 2010 pursuant to the JPA Act and the JPA Agreement for the purpose of exercising any power, privilege or authority to facilitate land acquisition, relocation of existing businesses, environmental remediation, site preparation and the construction, equipping, furnishing and financing of public facilities, including, but not limited to, the Arena and the other West Haymarket Facilities and any other capital improvements or other projects pertaining to the redevelopment of an area in the City generally bounded by BNSF and Union Pacific railroad lines and First Street on the west, approximately Ninth Street and I-180 on the east, Cornhusker Highway on the north and "M" Street on the south (the "**West Haymarket Redevelopment Area**"), as determined by the Agency to be necessary, desirable, advisable or in the best interests of the City and the Regents.

Under the JPA Agreement, the governing body of the Agency (the **"Board"**) consists of the Mayor of the City, the member of The Board of Regents of the University of Nebraska from District No. 1, and a member of the Council of the City appointed by the Mayor. All actions may be taken by the affirmative vote of a majority of the Board, except that the actions of the Agency related to the Arena (as opposed to the West Haymarket Facilities as a whole) require a unanimous vote of the Board. Issuance of indebtedness of the Agency must also be approved by the Mayor and Council of the City.

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

Name	**Office**
Jayne Snyder	Chair
Tim Clare	Vice Chair
Dan Marvin	Secretary
Don Herz	Treasurer

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

THE CITY

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

PLAN OF FINANCING

Authorization and Purpose of Bonds

The Bonds are authorized pursuant to and in full compliance with the Constitution and statutes of the State including, particularly, the JPA Act. The Bonds are being issued pursuant to the Bond Resolution for the purpose of paying (a) all or a portion of the costs of one or more Projects, including, without limitation, the purchase of general obligation bonds of the City issued to pay certain costs of one or more of such Projects, and (b) the costs of issuing the Bonds.

On May 11, 2010, the City submitted to the electors of the City a proposition for the issuance of general obligation bonds in an amount not to exceed $25,000,000 (the **"City Bonds"**) to pay the costs of acquiring, constructing, equipping and furnishing the Arena and related facilities, which was approved by a vote of 37,541 in favor and 28,792 against. The City anticipates issuing the City Bonds around March, 2013, and the Agency expects to purchase such City Bonds with proceeds of the Bonds pursuant to a Bond Purchase Agreement between the City and the Agency. The City Bonds will be dated the date of delivery thereof, and the purchase price of the City Bonds will be 100% of the principal amount thereof. The Bond Purchase Agreement provides that the City will make the proceeds of the City Bonds available to the Agency to pay all or a portion of the costs of one or more Projects. The City expects to use funds received from the State of Nebraska pursuant to the Convention Center Facility Financing Assistance Act (Chapter 13, Article 26, Reissue Revised Statutes of Nebraska, as amended) to pay the principal of and interest on the City Bonds as and when the same become due. The City's general obligation debt is rated "Aaa" by Moody's and "AAA" by Standard & Poor's, and the City Bonds will bear interest commensurate with comparable Agency bonds.

The Projects

General: The Projects consist of constructing, equipping, furnishing and financing various public facilities in the West Haymarket Redevelopment Area of the City including, but not limited, to the Arena, roads, streets, sidewalks, pedestrian overpass, public plaza space, sanitary sewer mains, water mains, electric transmission lines, drainage systems, flood control, parking garages and surface parking lots, and acquiring land and relocating existing businesses, undertaking environmental remediation and site preparation as necessary and appropriate for the construction, equipping, furnishing and financing of the West Haymarket Facilities. The Agency has entered into an agreement for the purchase of the land on which the Arena will sit with BNSF, the majority of which has been purchased. Upon the continued acquisition, over time, of remaining certain property currently owned by BNSF, the Agency will initially own the property on which all of the Projects will be constructed, equipped and furnished. The Arena Projects (consisting of the Arena and the related parking improvements consisting of the surface parking lot northwest of the BNSF tracks, the parking garage adjacent to the Arena and the surface parking lot on the Arena site) will be owned by the Agency until the Bonds are no longer outstanding, at which time the Agency will transfer ownership of the Arena Projects to the City. The remaining Projects will be transferred to the City upon the completion of construction of such Projects. The City will operate and maintain all of the Projects pursuant to the Facilities Agreement.

The Architect: The Agency has entered into a contract for design services with DLR Group (the **"Architect"**). The Architect is a nationally recognized firm specializing in architecture, construction services, engineering, interiors and planning, including the programming, planning and design of sports arenas. The Architect, over the past four decades, has opened and acquired new offices across the nation. The Architect has designed numerous arena projects, including the Ben H. Griffin Stadium at the University of Florida (football), the Creighton University soccer stadium, Kansas Speedway, the Qwest Center in Omaha, Nebraska, the University of Oregon's PK Park (baseball), University of Nebraska Memorial Stadium (football), and the University of Texas's Disch-Falk Field (baseball).

The Construction Manager: Science Applications International Corporation (**"SAIC"**), an international consulting firm, was hired in 2010 as project manager as an outside expert to manage the Projects, including the Arena, plus surface and garage parking, new streets and sewers, and environmental cleanup work. In late July 2011, the City cancelled that agreement for convenience in order to save an approximately $500,000 to $1,000,000. The Agency determined that it did not need the extra layer of oversight and coordination provided by SAIC and instead has hired PC Sports, Inc. to provide interim program management services, including oversight of the Arena construction. It is anticipated that the interim contract with PC Sports, Inc. will be extended through the completion of the Projects. PC Sports, Inc. previously was subcontracted by SAIC for Project oversight and coordination and will now work with local engineering companies working on streets and sewers in the West Haymarket area, City staff and Mortenson Construction, the national company building the Arena, to oversee Arena construction.

Cost Summary and Expected Construction Schedule of the Projects: The Agency will deposit approximately $98,000,000 of the proceeds of the Bonds in the Construction Fund as provided in the Bond Resolution. The total estimated cost of the Projects is approximately $340,000,000, $190,000,000 of which was funded from the net proceeds of the Agency's (a) $100,000,000 General Obligations Facility Bonds, Taxable Series 2010A (Build America Bonds – Direct Pay), dated September 8, 2010, (b) $67,965,000 General Obligations Facility Bonds, Taxable Series 2010B (Build America Bonds – Direct Pay), dated December 1, 2010, and (c) $32,035,000 General Obligation Recovery Zone Economic Development Bonds, Taxable Series 2010C, dated December 1, 2010 (collectively, the **"Outstanding Bonds"**), and the remainder of which will be funded with future debt of the Agency, if necessary, and available cash funds, including private contributions and other receipts of the Agency. The Agency currently estimates issuing additional bonds in a total amount not in excess of $25,000,000 (excluding the $100,000,000 principal amount of Bonds described in this Official Statement) to finance the Projects. Construction of ingress and egress roads has begun and completion of the first of such projects is expected earlier than scheduled. The concrete superstructure for the Arena will commence in October, 2011 and completion is expected in June, 2012. Construction of the Arena's steel roof is expected to start in June 2012 with completion anticipated in October 2012. Full enclosure of the Arena is scheduled to be completed six months prior to the opening date of September, 2013.

[The remainder of this page intentionally left blank]

The following table is a summary of certain approximated, anticipated costs of the Projects:

Arena budget	$172,252,050
Site purchase	59,656,716
Parking	33,013,818
Roads	20,782,781
Grading	8,792,790
General coordination	6,522,389
Environmental	6,003,600
Pedestrian ways/Amtrack	3,337,000
Other (ITS/Civic Art)	3,326,000
Utilities	2,128,785
Financing costs	2,160,000
Contingency	25,273,414
TOTAL	$343,249,343

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

Sources and Uses of Funds

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

Sources of Funds:

Proceeds from Sale of Bonds	$100,000,000.00
Plus: net original issue premium	5,658,442.35
Total sources of funds	$105,658,442.35

Uses of Funds:

Project Costs	$104,440,242.85
Underwriting Discount (0.931%)	930,699.50
Costs of Issuance	287,500.00
Total uses of funds	$105,658,442.35

THE BONDS

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

Principal Maturities and Interest Rates

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

Form and Denomination

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

Place of Payment

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

Redemption

Optional Redemption. The Bonds are subject to optional redemption at the option of the Agency in whole or in part at any time on or after December 15, 2021, in the principal amounts and from the maturity or maturities selected by the Agency and by lot in integral multiples of $5,000 within a maturity at a redemption price equal to 100% of the principal amount being redeemed, plus accrued interest on such principal amount to the date of redemption.

Sinking Fund Redemption of Bonds. The Bonds maturing December 15 in the years 2036 and 2042 are subject to mandatory redemption and payment prior to maturity pursuant to the mandatory redemption requirements set forth below at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date. The payments specified in the Bond Resolution which are to be deposited into the Debt Service Fund shall be sufficient to redeem, and the Agency shall redeem on each December 15 the following principal amounts of Bonds:

Term Bond Maturing December 15, 2036		Term Bond Maturing December 15, 2042	
Year (December 15)	Principal Amount	Year (December 15)	Principal Amount
2033	$4,600,000	2037	$5,420,000
2034	4,795,000	2038	5,645,000
2035	4,990,000	2039	5,880,000
2036‡	5,200,000	2040	6,130,000
		2041	6,390,000
		2042‡	6,660,000

‡ Maturity

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

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

Book-Entry System

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

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

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

CUSIP Numbers

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

SECURITY

General

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

JPA Agreement

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

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

Facilities Agreement

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

Operating Agreement

Pursuant to the MOU, the Regents have agreed to lease the Arena to play the University of Nebraska-Lincoln men's and women's varsity basketball home games for a term of 30 years which is anticipated to begin on September 1, 2013. The terms of the MOU will be formalized through an Operating Agreement between the City and the Regents, which is expected to be executed and delivered by the parties by November 2011. Other than the payment of rent for its use of the Arena pursuant to the Operating Agreement, the Regents have no obligation for any payments to the Agency, including, without limitation, payment of the principal or redemption price of and interest on the Bonds. See **"APPENDIX D - SUMMARY OF PRINCIPAL DOCUMENTS."**

NEBRASKA LAWS RELATED TO BUDGETS AND TAXATION

The Nebraska Legislature (the **"Legislature"**) has in recent years enacted and amended legislation intended to reduce the level of property taxation and political subdivision expenditures in the State of Nebraska (the **"State"**). The statutory sections having the most significant impact on the Agency are Section 13-519, Reissue Revised Statues of Nebraska (as enacted in 1996 and amended from time to time, **"Section 13-519"**), which provides for an overall limitation on the use of "restricted funds" revenue sources for cities, counties and certain other political subdivisions, and Section 77-3442, Reissue Revised Statutes of Nebraska (as enacted in 1996 and amended from time to time, **"Section 77-3442"**) which reduces the rate of taxation for general property taxes authorized for cities and counties. Among other provisions, Section 13-519 provides that for all fiscal years beginning on or after July 1, 1998, no governmental unit (including the City) may adopt a budget containing a total of budgeted restricted funds more than the prior year's total of budgeted restricted funds plus allowable growth, plus a basic allowable growth percentage (initially 2½% until adjusted by the Legislature). Restricted funds generally include (a) property taxes, excluding any amounts refunded to taxpayers, (b) payments in lieu of property taxes, (c) local option sales taxes, (d) motor vehicle taxes, (e) state aid, (f) transfers of surpluses from any user fee, permit fee, or regulatory fee if the fee surplus is transferred to fund a service or function not directly related to the fee and the costs of the activity funded from the fee, and (g) any funds excluded from restricted funds for the prior year because they were budgeted for capital improvements but which were not spent and are not expected to be spent for capital improvements. Allowable growth includes the percentage increase in taxable valuation in excess of the base limitation established under Section 77-3446, Reissue Revised Statutes of Nebraska, as amended, if any, due to improvements to real property as a result of new construction, additions to existing buildings, any improvements to real property that increase the value of such property and any increase in valuation due to annexation and any personal property valuation over the prior year. Such budget limitations may be exceeded by up to an additional 1% upon the affirmative vote of at least 75% of the governing body, and larger increases are permitted with the approval of a majority of legal voters voting on the issue of such increase at a special election held for such purposes.

Under Section 77-3442, the rates for levying property taxes are limited for each type of governmental unit in the State. The rate for cities such as the City is no more than 50¢ per \$100 of taxable valuation, except that 5¢ per \$100 of taxable valuation of property subject to the levy may only be levied to provide financing for a city's share of revenue required under an agreement executed pursuant to the Interlocal Cooperation Act, Chapter 13, Article 8, Reissue Revised Statutes of Nebraska, as amended, or the Joint Public Agency Act, Chapter 13, Article 25, Reissue Revised Statutes of Nebraska, as amended. A political subdivision may exceed the levy limitations provided in Section 77-3442 or a final levy allocation determination as provided in Section 77-3443, Reissue Revised Statutes of Nebraska, as amended, by an amount not to exceed a maximum levy approved by a majority of registered voters. ***The limitations of Section 13-519 do not apply to restricted funds pledged to retire bonded indebtedness, and the limitations of Section 77-3442 do not apply to property taxes levied for bonded indebtedness approved according to law and secured by a levy on property.*** The Agency made no levy in 2010, will not be required to make any levy in 2011 for collection in 2012 and is not authorized to make any levy for operating expenses in the future.

Ad valorem taxes levied to pay debt service on the Bonds are not subject to either the budget limitations or the levy limitations described above.

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

LEGAL MATTERS

Legal Proceedings

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

On October 12, 2010, an amended complaint was filed in the District Court of Douglas County, Nebraska by certain Omaha restaurants asserting that an Omaha ordinance imposing a 2.5% occupation tax on restaurants was an unauthorized sales tax, an unlawful occupational tax on liquor licensees and impermissible special legislation. On April 21, 2011, the District Court of Douglas County granted summary judgment to the City of Omaha. The plaintiffs filed an appeal, which is pending before the Nebraska Court of Appeals. The City has enacted an ordinance imposing certain occupation taxes on restaurants, hotels and motels, and car rentals, which are used to pay a portion of the debt service on the Bonds. Such ordinance was drafted to avoid the legal challenges made to the Omaha occupation tax ordinance.

Approval of Legality

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

TAX MATTERS

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

Opinion of Bond Counsel

In the opinion of Gilmore & Bell, P.C., Bond Counsel, under the law existing as of the issue date of the Bonds:

Federal and Nebraska Tax Exemption. The interest on the Bonds (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. Interest on the Bonds 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 Bonds have not been designated as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code.

Bond counsel's opinions are provided as of the date of the original issue of the Bonds, subject to the condition that the Agency and the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Agency and the City have covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal and Nebraska income tax purposes retroactive to the date of issuance of the Bonds. Bond Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Bonds but has reviewed the discussion under the heading **"TAX MATTERS."**

Other Tax Consequences

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

Original Issue Premium. If a Bond is issued at a price that exceeds the stated redemption price at maturity of the Bond, the excess of the purchase price over the stated redemption price at maturity constitutes "premium" on that Bond. Under Section 171 of the Code, the purchaser of that Bond must amortize the premium over the term of the Bond using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the owner's basis in the Bond 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 Bond 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 bond premium.

Sale, Exchange or Retirement of Bonds. Upon the sale, exchange or retirement (including redemption) of a Bond, an owner of the Bond generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale, exchange or retirement of the Bond (other than in respect of accrued and unpaid interest) and such owner's adjusted tax basis in the Bond. To the extent a Bond 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 Bond 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 Bonds, and to the proceeds paid on the sale of the Bonds, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner's federal income tax liability.

Collateral Federal Income Tax Consequences. Prospective purchasers of the Bonds should be aware that ownership of the Bonds 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 Bonds. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Bonds should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the Bonds, including the possible application of state, local, foreign and other tax laws.

CONTINUING DISCLOSURE

The Agency and the City are executing the Continuing Disclosure Undertaking for the benefit of the owners and Beneficial Owners of the Bonds and in order to assist the Underwriter in complying with Rule 15c2-12 of the Securities and Exchange Commission (the "**Rule**"). The Agency and the City are the only "obligated persons" with responsibility for continuing disclosure. Each of the Agency and the City is current in its respective continuing disclosure reporting and is in compliance with all prior undertakings.

Annual Reports

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

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

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

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

Material Event Notices

No later than 10 business days after the occurrence of any of the following events, the City or the Agency shall give, or cause to be given to the MSRB, through EMMA, notice of the occurrence of any of the following events with respect to the Bonds (**"Material Events"**):

(1) principal and interest payment delinquencies;
(2) non-payment related defaults, if material;
(3) unscheduled draws on debt service reserves reflecting financial difficulties;
(4) unscheduled draws on credit enhancements reflecting financial difficulties;
(5) substitution of credit or liquidity providers, or their failure to perform;
(6) adverse tax opinions; the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bond, or other material events affecting the tax status of the Bonds;
(7) modifications to rights of bondholders, if material;
(8) bond calls, if material, and tender offers;
(9) defeasances;
(10) release, substitution or sale of property securing repayment of the Bonds, if material;
(11) rating changes;
(12) bankruptcy, insolvency, receivership or similar event of the Agency or the City;
(13) the consummation of a merger, consolidation, or acquisition involving the Agency or the City or the sale of all or substantially all of the assets of the Agency or 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 neither the Agency nor the City has submitted the Annual Report to the MSRB by the date specified above, the Agency and the City shall send a notice to the MSRB of the failure to file the Annual Report on a timely basis, which notice shall be given by the Agency and the City in accordance with the above procedures.

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

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

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

Electronic Municipal Market Access System (EMMA)

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

MISCELLANEOUS

Ratings

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

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

Independent Auditors

The audited financial statements of the Agency, as of and for the period ended August 31, 2010, are included in "**APPENDIX C – WEST HAYMARKET JOINT PUBLIC AGENCY - ACCOUNTANT'S REPORT AND AUDITED FINANCIAL STATEMENTS**.**"** These financial statements have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein.

The audited financial statements of the City, as of and for the year ended August 31, 2010, are included in **"APPENDIX B – THE CITY OF LINCOLN, NEBRASKA - ACCOUNTANT'S REPORT AND AUDITED**

FINANCIAL STATEMENTS." These financial statements have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein.

Certification and Other Matters Regarding Official Statement

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

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

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

WEST HAYMARKET JOINT PUBLIC AGENCY

By: /s/ Jane Snyder
Chair

THE CITY OF LINCOLN, NEBRASKA

By: /s/ Don Herz
Finance Director

APPENDIX A

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

THE CITY OF LINCOLN

General

Lincoln, the capital of Nebraska, is located in southeastern Nebraska near the center of population of the state. The City was originally incorporated in 1869. It is approximately midway between Chicago and Denver. It has an area of 90.65 square miles, and in its growth and development has annexed five other municipalities so that the City includes most of the urban area of Lancaster County. It enjoys a unique position in Nebraska as the center of the state governmental and educational activities. It is currently one of the fastest growing non-Sunbelt cities in the U.S. and one of the fastest growing metro areas in the Midwest.

Population

The 1960 population of the City was 128,521; the 1970 population was 149,510; the 1980 population was 171,932; the 1990 population was 191,972; and the 2000 population was 225,588, a 17.5 percent increase over the 1990 count. The 2000 count represents approximately 90 percent of the population of Lancaster County, the county in which the City is located. The estimated 2010 population is 254,001.

City Government

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

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

Transportation

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

Lincoln is served by two commercial airports with daily shuttle service available between locations. The Lincoln Municipal Airport is located less than 10 minutes from downtown and has daily departures to Chicago, Denver, Detroit, and Minneapolis. Eppley Airfield, located in east Omaha, is 65 minutes from downtown Lincoln and offers service from 13 airlines. Together the two airports offer more than 100 arrivals and departures daily. The Lincoln Municipal Airport also offers General Aviation services. The General Aviation runway is 8,649 feet long, and the runway is lit dusk to dawn.

Railroad transportation facilities include those of Burlington Northern/Santa Fe, Union Pacific, and AMTRAK. Ground transportation is furnished by Greyhound/BlackHills Stage Lines and local StarTran bus services.

Government Center

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

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

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

Education

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

Building Permits and Property Values

LAST TEN YEARS

	COMMERCIAL 1 CONSTRUCTION		RESIDENTIAL 1 CONSTRUCTION		PROPERTY VALUE 2		
FISCAL YEAR	# PERMITS	VALUE	# PERMITS	VALUE	COMMERCIAL	RESIDENTIAL	TOTALS
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
2001	1,017	215,856,679	3,212	231,390,626	2,540,905,431	6,273,610,610	8,814,516,041

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

Police and Fire Protection

Lincoln has fourteen fire stations manned by 276 firefighters and three police stations with 321 police officers.

City Employee Information

For the 2010-2011 fiscal year, contracts have been signed with all but one of our unions. Unions include: the Lincoln Police Union (LPU) representing police officers; the International Association of Firefighters (IAF) representing firefighters, the Amalgamated Transit Union (ATU) representing transit workers, the Public Association of Government Employees (PAGE) representing labor, trades, and clerical personnel, the City Employees Association (CEA) representing supervisory, highly technical, and professional personnel, and the Lincoln M Class Employees Association (LMCEA) representing upper management, administration and professional personnel. The LPU, IAF, and LMCEA contracts expire at the end of August, 2011. The CEA and ATU contracts expire at the end of August, 2012. The PAGE contract has been taken to the Nebraska Commission of Industrial Relations (CIR) for resolution.

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, 2010		NOVEMBER 30, 2010	
	Number Employed	Percent of Total	Number Employed	Percent of Total
Industry Manufacturing:				
Durable Goods	7,786	4.5	7,843	4.5
Nondurable Goods	4,786	2.8	4,830	2.8
Total Industry Manufacturing	12,572	7.3	12,673	7.3
Nonmanufacturing:				
Natural Resource & Construction	6,853	4.0	6,728	3.9
Transportation, Communications & Utilities	10,093	5.9	10,429	6.0
Wholesale Trade	4,027	2.3	3,888	2.2
Retail Trade	17,612	10.2	18,206	10.5
Information	2,101	1.2	2,235	1.4
Finance, Insurance & Real Estate	13,141	7.6	13,187	7.6
Services (except domestic)	66,553	38.6	66,355	38.4
Government	39,469	22.9	39,184	22.7
Total Nonmanufacturing	159,849	92.7	160,212	92.7
TOTAL	172,421	100.0	172,885	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 2010-2001)
(For the Calendar Year Indicated)

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Civilian Labor Force	157,933	159,298	159,943	157,887	157,632	157,999	158,444	156,940	153,021	150,846
Unemployment	6,802	7,015	4,899	4,462	4,592	5,643	5,346	5,841	5,007	4,209
Percent of Labor Force	4.3	4.4	3.1	2.8	2.9	3.6	3.4	3.7	3.3	2.8
Employment	151,130	152,283	155,044	153,425	153,040	152,355	153,098	151,100	148,013	146,636

STATE OF NEBRASKA

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Percent of Labor Force										
Unemployment	4.7	4.7	3.3	3.0	3.2	3.9	3.8	3.8	3.6	3.1

Source: State of Nebraska, Department of Labor

DEMOGRAPHIC STATISTICS
LAST TEN YEARS

Year	Population 1	Per Capita Personal Income 2	School Enrollment 3
2010	254,001	$	35,896
2009	251,624		34,973
2008	248,744	37,423	34,061
2007	241,167	36,749	33,466
2006	239,213	35,445	32,934
2005	238,625	33,801	32,505
2004	236,146	33,026	32,270
2003	235,565	32,100	31,889
2002	231,800	31,211	31,867
2001	225,588	30,563	31,581

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 2009 and 2010 is unavailable.
3 Lincoln Public Schools.

Median age from the 2000 census was 31.3. Education statistics per the 2000 Census indicate that 90.2% of the population 25 years and older has a high school degree or greater with 33% of the same population holding a Bachelor's degree or greater.

LINCOLN UTILITY CUSTOMERS
LAST TEN YEARS

Year	Water Customers	Gas Customers	Electricity Customers
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
2001	68,187	87,749	112,247

Source: Indicated Utility Companies

SELECTED FINANCIAL STATISTICS

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION [1]
LAST TEN FISCAL YEARS

Fiscal Year		General Government	Public Safety	Streets And Highways	Culture And Recreation	Economic Opportunity	Health And Welfare	Mass [2] Transit	Debt Service	Totals
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
2001		23,821,580	48,122,074	11,175,059	14,806,760	12,559,336	15,862,462	-	7,742,690	134,089,961

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

GENERAL REVENUES BY SOURCE [1]
LAST TEN FISCAL YEARS

Fiscal Year		Taxes And Special Assessment	Inter-Governmental	Permits And Fees	Reimbursement For Services	Investment Earnings	Other	Totals
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 [2]		105,139,052	59,029,609	12,449,879	5,605,557	4,606,825	10,325,634	197,156,556
2001		95,016,014	48,619,317	9,638,475	5,071,766	8,005,027	9,146,189	175,496,788

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

SPECIAL ASSESSMENT COLLECTIONS
LAST TEN YEARS [1]

Fiscal Year Ended August 31	Special Assessment Collections Including Interest
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
2001	1,796,924

[1] Special assessment collections are not tracked by levy year, therefore the portion of collections during any year which apply to any particular levy cannot be determined.

Authority to Levy Taxes

Article IX, Section 3 of the Home Rule Charter of the City provides that the City shall have power to levy a tax each year for general revenue purposes upon all property subject to taxation; provided that the maximum amount of taxes that can be levied by the City in any one year for general revenue purposes shall not exceed an amount known as the City tax limit. The City tax limit is a tax ceiling established by using the September 1, 1966 City dollar tax limit as an initial tax limit, and increasing that tax limit each year following 1966 by 7% so that in each fiscal year thereafter, the amount of the City tax limit shall be the amount of the city tax limit for the previous year, plus 7% thereof. In addition, the City also has the power to levy taxes each year sufficient to pay any judgment existing against the City and the interest on bonded debt and the principal on any bonded debt maturing during the fiscal year or within six months thereafter, as well as taxes authorized by state law. The City is also authorized to receive all taxes collected and distributed pursuant to state law and in lieu of tax payments imposed by law. The 2010 tax levy for the 2010-2011 fiscal year is $93,619,899 below the legal limit, a tax rate per $100 valuation of .28788. The assessed value upon which the 2010 levy is based is $15,881,260,420. By charter, only 90% of the property tax levy may be appropriated.

For the 2010-2011 fiscal year the City is subject to a state imposed lid on the appropriation of "restricted funds", which are revenues received from property tax, sales tax, state aid, in-lieu of tax and highway allocation fees. Bonded indebtedness, capital improvements, and costs associated with interlocal agreements are exempt from the lid. For 2010-2011 the City can also use authority equal to the greater of 2.5% or the amount of real growth in the tax base which was 1.12%. An additional 1% can be authorized by a 75% vote of the City Council but was not utilized for the 2010-2011 budget. The 2010-2011 budget is approximately $11.3 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	CollectedAs Of August 31 After Levy Amount	Percent	Accumulated Collections As Of August 31, 2010 Amount	Percent
2010	$ 45,330,891	$ 43,791,366	96.60 %	$ 43,791,366	96.60 %
2009	45,875,327	44,385,970	96.75	45,867,337	99.98
2008	45,064,524	43,526,689	96.59	45,035,380	99.94
2007	43,475,089	41,815,295	96.18	43,289,638	99.57
2006	40,873,358	39,549,553	96.76	40,920,013	100.11
2005	38,755,995	37,488,504	96.73	38,741,152	99.96
2004	36,994,112	35,696,288	96.49	36,902,792	99.75
2003	35,007,926	33,648,496	96.12	34,920,052	99.75
2002	33,731,282	32,482,000	96.30	33,717,649	99.96
2001	31,159,364	29,914,662	96.01	31,032,865	99.59

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	2010 Assessed Valuations	Percentage Of Total Assessed Valuation
B & J Partnership Ltd.	Building Management	$ 74,599,700	.47%
Kawasaki	Manufacturing	72,236,265	.46
Burlington Northern	Railroad	61,450,603	.39
Ameritas Life Insurance Corp	Insurance	59,924,933	.38
WEA Gateway LLC	Retail Management	59,352,318	.38
BryanLGH	Hospital	54,594,956	.35
Chateau Van Dorn LLC	Real Estate Development	52,339,987	.33
Pfizer	Animal Health	49,057,780	.31
Nebco	Construction/Development	46,246,722	.29
Black Hills Utility Holdings	Gas Utility	44,987,318	.29
		$ 574,790,642	3.65%

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
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
2001	44,486,127

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
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
2001	20,284,364	44,486,127	8,497	1,107,183	5,889,097	71,775,268

TAXABLE ASSESSED VALUATION
LAST TEN YEARS [1]

Tax Year		Real Estate	All Other	Total
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
2001		8,814,516,041	806,431,814	9,620,947,855

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

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

	Tax Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
City of Lincoln	0.2879	0.2879	0.2879	0.2833	0.3009	0.2950	0.2903	0.3145	0.3145	0.3239
School District No. 1	1.2537	1.2668	1.2719	1.2764	1.3142	1.3141	1.3011	1.2830	1.2732	1.3684
Lancaster County	0.2683	0.2683	0.2755	0.2655	0.2841	0.2797	0.2683	0.2683	0.2583	0.2643
Educational Service Unit #18	0.0150	0.0150	0.0141	0.0141	0.0150	0.0150	0.0150	0.0150	0.0150	0.0150
Community Technical College	0.0676	0.0722	0.0689	0.0689	0.0696	0.0655	0.0655	0.0655	0.0636	0.0295
Lower Platte South Natural Res. Dist.	0.0410	0.0410	0.0418	0.0416	0.0422	0.0323	0.0323	0.0359	0.0365	0.0367
Railroad Transportation Safety Dist.	0.0260	0.0260	0.0260	0.0246	0.0260	0.0260	0.0248	0.0220	0.0221	0.0260
Lancaster County Correctional JPA City	0.0194	0.0195	-	-	-	-	-	-	-	-
Lancaster County Correctional JPA County	0.0107	0.0106	-	-	-	-	-	-	-	-
Agricultural Society of Lancaster County	0.0016	0.0015	0.0016	0.0016	0.0018	0.0020	0.0030	0.0012	0.0024	0.0073
Lancaster County Fairgrounds	0.0038	0.0038	0.0043	0.0037	0.0042	0.0042	0.0043	0.0050	0.0052	0.0000
Public Building Commission	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170
	2.0120	2.0296	2.0090	1.9967	2.0750	2.0508	2.0216	2.0274	2.0078	2.0881

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

DEBT MANAGEMENT

OUTSTANDING INDEBTEDNESS AS OF AUGUST 31, 2010

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

Original Amount	Issued	Issue	Interest Rate	When Due	Date Callable	Interest Date	Outstanding
Governmental Activities:							
General Obligation Bonds:							
General Bonds:							
14,435	03/01/99	Various Purpose Series A	3.000 - 4.600	Serial 2000 to 2014	2009	Semiannually	$ 4,775
7,365	03/01/99	Various Purpose Series A	4.750	Term 2019	2009	"	7,365
8,220	03/01/99	Various Purpose Series B	3.000 - 4.250	Serial 1999 to 2011	2007	"	525
6,350	05/29/02	Storm Sewer and Drainage	3.000 - 5.000	Serial 2004 to 2020	2010	"	4,625
1,150	05/29/02	Storm Sewer and Drainage	5.00	Term 2022	2010	"	1,150
15,595	07/08/03	Various Purpose	2.625 - 3.750	Serial 2004 to 2017	2013	"	6,180
3,710	07/08/03	Various Purpose	4.000 / 4.125	Term 2020 & 2023	2013	"	3,710
6,555	06/01/05	Storm Sewer Refunding	2.500 - 4.375	Serial 2005 to 2017	2011	"	4,395
9,950	06/15/05	Storm Sewer Construction	3.250 - 4.250	Serial 2006 to 2025	2015	"	8,070
8,295	06/27/07	Stormwater Drainage and Flood Mgmt	4.625 - 5.000	Serial 2008 to 2027	2017	"	7,535
	Total General Bonds						$ 48,330
Tax Allocation Bonds:							
1,035	04/21/04	Tax Allocation Bonds	2.000 - 3.200	Serial 2004 to 2011	2008	Semiannually	290
5,500	04/21/04	Tax Allocation Bonds	3.000 - 4.800	Serial 2004 to 2015	2010	"	3,325
365	08/15/05	Tax Allocation Bonds	4.750	Serial 2006 to 2018	Anytime	"	244
288	10/01/06	Tax Allocation Bonds	5.100	Serial 2008 to 2016	Anytime	"	219
2,205	04/05/07	Tax Allocation Bonds	5.000 - 5.550	Serial 2009 to 2018	2012	"	2,030
601	06/01/07	Tax Allocation Bonds	5.240	Serial 2008 to 2018	Anytime	"	571
388	06/01/07	Tax Allocation Bonds	5.240	Serial 2007 to 2020	Anytime	"	323
369	06/15/07	Tax Allocation Bonds	5.400	Serial 2007 to 2014	Anytime	"	239
42	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2021	Anytime	"	39
71	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2017	Anytime	"	67
474	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2022	Anytime	"	382
547	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	501
200	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	182
611	06/30/09	Tax Allocation Bonds	7.00	Serial 2011 to 2023	Anytime	"	611
3,375	07/28/09	Tax Allocation Bonds	2.500 - 6.400	Serial 2011 to 2023	Anytime	"	3,375
	Total Tax Allocation Bonds						$ 12,398
Tax Supported Bonds:							
35,000	03/17/04	Highway Allocation Fund	2.000 - 5.000	Serial 2007 to 2023	2014	Semiannually	33,365
27,000	12/05/06	Highway Allocation Fund	4.000 - 5.000	Serial 2008 to 2027	2016	"	24,290
	Total Tax-Supported Bonds						$ 57,655
	TOTAL GENERAL OBLIGATION BONDS						$ 118,383
Tax Supported Bonds:							
11,080	3/13/02	Antelope Valley Project	1.500 - 5.000	Serial 2002 to 2016	2012	Semiannually	$ 6,605
Business-Type Activities:							
Revenue Bonds:							
39,235	07/31/03	Wastewater Revenue	2.000 - 5.000	Serial 2004 to 2023	2013	Semiannually	$ 28,060
15,765	07/31/03	Wastewater Revenue	4.625 / 5.000	Term 2025 & 2028	2013	"	15,765
18,000	08/03/05	Wastewater Revenue	4.000 - 5.000	Serial 2006 to 2030	2015	"	15,525
16,710	04/18/07	Wastewater Revenue	4.000 - 4.500	Serial 2008 to 2029	2017	"	15,310
3,750	04/18/07	Wastewater Revenue	4.375	Term 2032	2017	"	3,750
	Total Wastewater Bonds						$ 78,410
11,850	11/22/02	Water Revenue	2.750 - 5.000	Serial 2005 to 2017	2012	Semiannually	$ 7,075
6,660	11/22/02	Water Revenue	5.000	Term 2022	2012	"	6,660
32,180	05/01/03	Water Revenue	5.000	Serial 2004 to 2012	-	"	6,965
40,000	11/16/04	Water Revenue	3.000 - 5.000	Serial 2005 to 2025	2014	"	34,110
10,515	08/04/09	Water Revenue	2.000 - 4.125	Serial 2013 to 2029	2019	"	10,515
4,905	08/04/09	Water Revenue	4.5000	Term 2034	2019	"	4,905
	Total Water Bonds						$ 70,230
6,695	09/08/99	Parking Revenue Series A	5.375	Term 2014	2009	"	$ 5,525
4,360	12/18/01	Parking Revenue	3.750 - 5.000	Serial 2002 to 2017	2011	"	2,210
1,640	12/18/01	Parking Revenue	5.125	Term 2021	2011	"	1,640
	Total Parking Bonds						$ 9,375
3,165	11/27/01	Golf Course Revenue Refunding	2.300 - 4.050	Serial 2002 to 2011	2008	Semiannually	$ 365
4,000	08/17/06	Solid Waste Management Revenue	4.000 - 4.250	Serial 2007 to 2021	2013	Semiannually	$ 3,230
148,190	10/01/02	Electric Revenue and Refunding Bonds	4.000 - 5.000	Serial 2004 to 2025	2012	"	92,730
93,045	10/01/03	Electric Revenue and Refunding Bonds	3.000 - 5.000	Serial 2004 to 2026	2014	"	81,370
33,265	10/01/03	Electric Revenue and Refunding Bonds	4.750	Term 2028	2014	"	33,265
61,290	10/01/05	Electric Revenue Bonds	5.000	Serial 2029 to 2032	2015	"	61,290
53,710	10/01/05	Electric Revenue Bonds	4.750	Term 2035	2015	"	53,710
183,230	05/15/07	Electric Revenue and Refunding Bonds	4.000 - 5.000	Serial 2009 to 2035	2016	"	179,835
81,850	05/15/07	Electric Revenue and Refunding Bonds	4.500 / 4.750	Term 2034 & 2037	2016	"	81,850
	Total Electric Bonds						$ 584,050
	TOTAL REVENUE BONDS						$ 745,660

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
2011	$ 7,288	5,130	685	299	3,575	1,010
2012	8,162	4,816	710	271	4,008	920
2013	8,063	4,474	740	238	2,779	798
2014	8,385	4,120	780	200	2,772	709
2015	8,700	3,746	815	162	2,863	618
2016 - 2020	41,294	12,956	2,875	173	8,504	1,825
2021 - 2025	31,551	4,516	-	-	2,673	729
2026 - 2030	4,940	319	-	-	1,662	137
2031 - 2035	-	-	-	-	153	3
	$ 118,383	40,077	6,605	1,343	28,989	6,749

Fiscal Year Ended August 31	Business-Type Activities					
	Revenue Bonds		Loans Payable		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	$ 29,000	35,271	-	-	318	31
2012	28,750	33,895	112	62	258	24
2013	27,800	32,481	139	35	198	18
2014	29,265	31,121	140	33	205	13
2015	28,955	29,673	142	32	152	7
2016 - 2020	166,625	125,483	735	133	197	7
2021 - 2025	128,475	87,971	780	89	-	-
2026 - 2030	111,185	60,614	829	40		-
2031 - 2035	116,345	33,258	172	2	-	-
2036 - 2040	79,260	6,078	-	-	-	-
	$ 745,660	475,845	3,049	426	1,328	100

Fiscal Year Ended August 31	Major Enterprise Funds					
	Wastewater System		Water System		Electric System	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	$ 2,785	3,607	6,310	3,192	17,820	27,840
2012	2,992	3,566	5,380	2,905	18,680	26,956
2013	3,119	3,423	3,310	2,647	19,610	26,007
2014	3,225	3,296	3,425	2,506	20,595	25,010
2015	3,347	3,147	3,555	2,354	21,620	23,972
2016 - 2020	18,760	13,338	20,055	9,147	125,255	102,390
2021 - 2025	23,115	8,691	20,130	4,300	84,860	75,017
2026 - 2030	21,389	3,078	4,045	1,434	86,580	56,141
2031 - 2035	2,727	171	4,020	464	109,770	32,626
2036 - 2040	-	-	-	-	79,260	6,078
	$ 81,459	42,317	70,230	28,949	584,050	402,037

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

Net assets of $3,448,228, $2,928,428, and $9,795,813 are currently available in the debt service funds to service the General Obligation Bonds, Tax Supported Bonds, and Tax Allocation Bonds, respectively. Revenue Bonds are funded partially from reserve accounts set up for debt repayment and partially from proceeds of daily operations.

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

	Governmental Activities	Business-Type Activities
Land	$ 515,750	$ 210,000
Buildings	12,914,750	-
Improvements	219,925	-
Infrastructure	12,460,176	-
Machinery and Equipment	1,838,042	3,278,413
Less Accumulated Depreciation, (where applicable)	(4,348,400)	(2,271,231)
Total	$ 23,600,243	$ 1,217,182

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

Established by City Ordinance, LES may borrow up to $150 million under a commercial paper note program. At December 31, 2009, LES had $90.0 million of tax exempt commercial paper notes outstanding. The notes mature at various dates but not more than 270 days after the date of issuance. The weighted-average interest rate for the year ended December 31, 2009, was 0.54 percent. The outstanding commercial paper notes are secured by a revolving credit agreement which provides for borrowings up to $150 million. LES pays a commitment fee for the credit agreement. Under the terms of the agreement LES can either settle or refinance the paper upon maturity.

The general obligation debt of all local governmental units which provide services within the City's boundaries and which debt must be borne by properties in the City (commonly called overlapping debt) as of August 31, 2010, is summarized below (unaudited):

Governmental Units	Debt Outstanding	Estimated Percentage Applicable [1]	Direct And Overlapping Debt To The City
Direct:			
City	$ 118,383,000	100.0 %	$ 118,383,000
Overlapping:			
School District #1	333,065,000	99.5	331,400,000
Lower Platte South N.R.D.	2,250,000	75.4	1,697,000
Lancaster County	1,720,000	85.4	1,469,000
Public Building Commission	42,160,000	85.4	36,005,000
Lancaster County Correctional Facility	61,960,000	85.4	52,914,000
Lancaster County Fairgrounds	8,480,000	85.4	7,242,000
	449,635,000		430,727,000
Total	$ 568,018,000		$ 549,110,000

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 $466.07; a per capita direct and overlapping debt of $2,161.84; a ratio of direct City debt to 2010 actual valuation of .75 percent; and a ratio of direct and overlapping debt to 2010 actual of 3.49 percent.

Since August 31, 2010, the West Haymarket Joint Public Agency (the "Agency") has issued (a) $100,000,000 General Obligations Facility Bonds, Taxable Series 2010A (Build America Bonds-Direct Pay), dated September 8, 2010, (b) $67,965,000 General Obligations Facility Bonds, Taxable Series 2010B (Build America Bonds-Direct Pay), dated December 1, 2010, and (c) $32,035,000 General Obligation Recovery Zone Economic Development Bonds, Taxable Series 2010C, dated December 1, 2010 (collectively, the "Agency Bonds"). The City anticipates that such bonds will be paid from occupations taxes, arena revenues and other sources of income, but the Agency is authorized to levy a property tax unlimited as to rate and amount to pay the principal of and interest on the Agency Bonds to the extent such other revenues are insufficient for such purpose.

Debt Payment Record

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

Contingencies

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

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

Fiscal Year	Principal	Interest [3]	Total Debt Service	Total General Governmental Expenditures [1,2]	Ratio Of Debt Service To Total General Expenditures
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
2001	4,966,405	2,753,247	7,719,652	134,089,961	5.76

[1] Includes: General, Special Revenue, and Debt Service Funds
[2] StarTran added as a Governmental Fund in 2002.
[3] Does not include fiscal and miscellaneous charges.

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

Fiscal Year	General Obligation Bonded Debt	Sinking Funds	Net General Obligation Bonded Debt	Population 1	Net G.O. Bonded Debt Per Capita	Assessed Valuation Real And Personal	Ratio of Net Debt To Assessed Valuation Real & Personal 2	Assessed Valuation Of Taxable Real Property 2	Ratio of Net Debt To Estimated Valuation Of Taxable Real Property
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%
2001	54,418,000	11,243,000	43,175,000	225,588	191.39	9,620,947,855	0.45%	8,814,516,041	0.49%

1 Source: Lincoln/Lancaster Planning Department.
2 Assessed valuation is 100% of actual

REVENUE BOND COVERAGE
LAST TEN FISCAL YEAR

	Gross Revenue	Direct Operating Expenses	Net Available Revenue	Debt Service Requirements: Principal	Debt Service Requirements: Interest	Debt Service Requirements: Total	Coverage
Wastewater System							
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
2001	16,663,975	8,087,688	8,576,287	952,500	364,972	1,317,472	6.51
Water System							
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
2001	22,489,456	10,960,315	11,529,141	2,755,000	2,240,075	4,995,075	2.31
Golf							
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
2001	2,626,592	2,140,853	485,739	230,000	239,088	469,088	1.04
Parking Facilities [1, 2]							
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
2001	5,172,264	2,127,350	3,044,914	795,000	787,419	1,582,419	1.92
Solid Waste Management							
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
2007	8,020,390	5,079,147	2,941,243	185,000	155,971	340,971	8.63

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

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

	F.Y. 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	F.Y. 2001
Cash & Investment Balance - September 1 of Year Indicated	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	26,814,745
Receipts:										
Property Tax	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	20,284,364
City Sales & Use Tax	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	44,486,127
Other Income	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	21,786,016
Total Receipts	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	86,556,507
Less Disbursements	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	88,568,484
Cash & Investment Balance - August 31 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

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

	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	F.Y. 2001
Cash Balance - September 1 of Year Indicated	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	3,313,405
Receipts:										
Property Tax	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	5,814,489
Interest Income	60,063	131,475	153,977	84,935	86,812	83,286	48,595	32,298	53,873	107,693
Bond Proceeds						6,597,635		9,436,083		
Other Income	124,279	173,446	1,003,173	1,927,112	2,935,603	149,038	691,340	240,110	232,009	235,736
Total Receipts	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	6,157,918
Disbursements:										
Bonds Paid	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	4,052,948
Bonds Defeased								9,609,774		
Interest Paid	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	2,308,922
Transfer to Trustee						6,504,876				
Other Disbursements	6,398	6,438	5,430	9,530	6,360	91,440	6,295		3,905	10,255
Total Disbursements	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	6,372,125
Equity Transfer										
Cash Balance - August 31 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

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

	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	F.Y. 2001
Cash & Investment Balance - September 1 of Year Indicated	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	4,964,458
Receipts:										
Special Assessment Collections	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	1,529,352
Interest on Special Assessments	148,383	112,749	179,258	188,349	189,927	204,108	267,298	346,725	294,839	257,157
City's Share of Costs	292,420	34,802		187,957	723,038	578,992	116,009	97,107	2,145,574	2,516,175
Developers' Share of Costs									4,617	473,445
Bond Proceeds										
Interest on Investments	135,149	335,273	453,282	340,274	254,809	217,996	140,289	130,555	137,143	219,536
Miscellaneous			33,964	49,403	74,657	30,687	288,482	195,535	474,438	144,005
Total Receipts	1,560,253	1,437,496	1,902,125	2,023,095	2,718,715	2,240,469	2,466,773	2,041,497	4,416,958	5,139,670
Disbursements:										
Construction Costs	1,113,691	861,203	742,698	766,768	1,066,513	1,796,239	1,399,323	1,560,456	1,090,434	3,646,025
Bonds Paid				55,000		100,000	105,000	105,000	110,000	270,000
Equity Transfer		7,554,009								
Interest Paid on Bonds & Notes				37,581		3,425	10,420	17,534	24,762	39,438
Other Refunds & Expenses	306,016	8,719	2,334	18,693	389,453	588,056	32,495	34,173	383,336	2,370,458
Total Disbursements	1,419,707	8,423,931	745,032	878,042	1,455,966	2,487,720	1,547,238	1,717,163	1,608,532	6,325,921
Cash & Investment Balance - August 31 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

APPENDIX B

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

COMPREHENSIVE

ANNUAL FINANCIAL REPORT

OF THE

CITY OF LINCOLN, NEBRASKA

FOR THE FISCAL YEAR ENDED AUGUST 31, 2010

Prepared by:

The Accounting Division of the Finance Department

INTRODUCTORY SECTION

OFFICIALS OF THE CITY OF LINCOLN

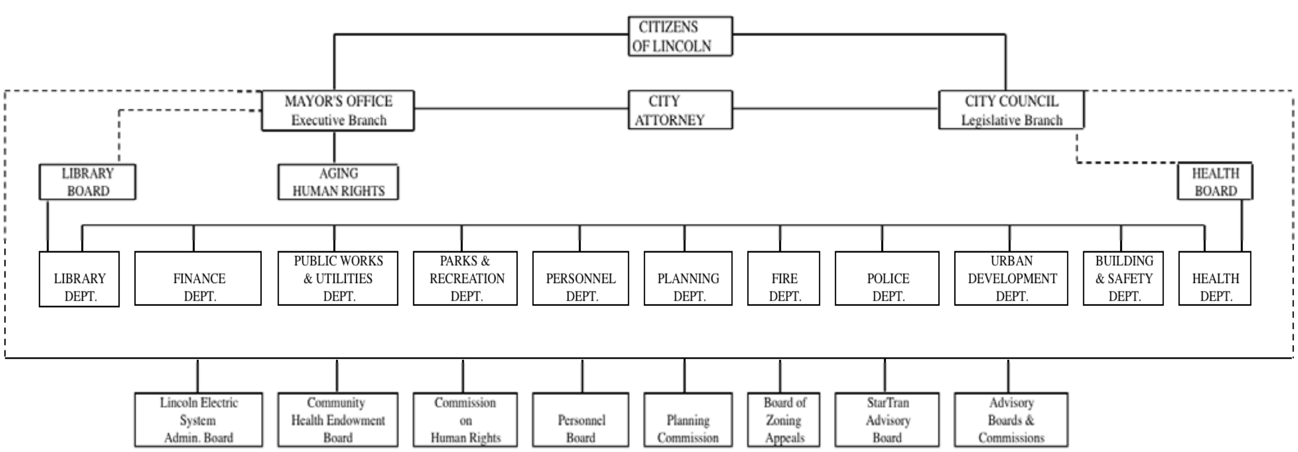
Chris Beutler .... Mayor
John Spatz .... Chair, City Council
Eugene Carroll .... Vice Chair, City Council
Jon Camp .... Council Member
Jonathan Cook .... Council Member
Doug Emery .... Council Member
Adam Hornung .... Council Member
Jayne Snyder .... Council Member

* * * * * *

Don Herz .... Finance Director
Marvin Krout .... Planning Director
Lynn Johnson .... Parks and Recreation Director
Kevin Wailes .... Lincoln Electric System Administrator
David Landis .... Urban Development Director
Pat Leach .... Library Director
Greg MacLean .... Public Works/Utilities Director
Chuck Zimmerman .... Interim Building and Safety Director
Judith Halstead .... Health Director
Mark Koller .... Personnel Director
Rodney Confer .... City Attorney
Thomas Casady .... Police Chief
Niles Ford .... Fire Chief

* * * * * *

CITY OF LINCOLN ORGANIZATION CHART



CITY OF LINCOLN, NEBRASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2010
TABLE OF CONTENTS

INTRODUCTORY SECTION		Page
Title Page		
Officials of The City of Lincoln		i
City of Lincoln Organization Chart		i
Table of Contents		ii
Letter of Transmittal from the Mayor		vi
Letter of Transmittal from the Finance Director		vii
Certificate of Achievement for Excellence in Financial Reporting		xvi
FINANCIAL SECTION		
Independent Accountants' Report on Financial Statements and Supplementary Information		2
Management's Discussion and Analysis		5
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Assets		16
Statement of Activities		17
Fund Financial Statements:		
Balance Sheet – Governmental Funds		18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds		19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities		20
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budget Basis) – General Fund		21
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budget Basis) – Street Construction Fund		23
Statement of 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:	Note	
Summary of Significant Accounting Policies	1	30
Reconciliation of Government-wide and Fund Financial Statements	2	37
Restricted Assets	3	38
Deposits and Investments	4	39
Receivables	5	44
Due From Other Governments	6	44
Capital Assets	7	45
Interfund Balances and Activity	8	48
Debt Obligations	9	49
Reconciliation of Budget Basis to GAAP	10	54
Deficit Net Assets	11	55
Excesses of Expenditures Over Appropriations	12	55
Employees' Retirement Plans	13	55
Other Postemployment Benefits (OPEB)	14	57
Property Taxes	15	59
Risk Management	16	60
Commitments and Contingencies	17	61
Landfill Closure and Postclosure Care Costs	18	63
Fair Value of Financial Instruments	19	64
Segment Information	20	64

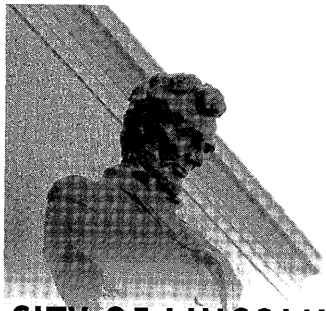
	Note	Page
Pledged Revenues	21	65
Public Building Commission	22	67
Joint Antelope Valley Authority	23	67
Jointly Governed Organizations	24	68
Subsequent Events	25	69
Required Supplementary Information:		
Schedule of Funding Progress for PFDP Pension		70
Schedule of Employer Contributions for PFDP Pension		70
Schedule of Funding Progress for City OPEB		70
Combining and Individual Fund Statements and Schedules:		
Governmental Funds:		
Combining Balance Sheet – Nonmajor Governmental Funds		73
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds		74
Subcombining Balance Sheet – Nonmajor Special Revenue Funds		78
Subcombining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds		80
Subcombining Balance Sheet – Nonmajor Debt Service Funds		84
Subcombining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Debt Service Funds		85
Subcombining Balance Sheet – Nonmajor Capital Projects Funds		88
Subcombining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Capital Projects Funds		90
Subcombining Balance Sheet – Nonmajor Permanent Funds		94
Subcombining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Permanent Funds		95
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budget Basis):		
Athletic Field & Facilities Improvement Fund		97
Cable Access Television Fund		98
Lincoln City Libraries Fund		99
Lincoln Area Agency on Aging Fund		100
Lincoln/Lancaster County Health Fund		101
Snow Removal Fund		102
911 Communication Fund		103
Social Security Fund		104
StarTran Fund		105
Unemployment Compensation Fund		106
Keno Fund		107
Federal Grants Fund		108
Building & Safety Fund		110
Development Services Center Fund		111
Library Special Trust Fund		112
Tax Allocation Projects Debt Service Fund		113
Bond Interest & Redemption Debt Service Fund		114
Tax Supported Bonds Debt Service Fund		115
Community Health Permanent Endowment Fund		116
Proprietary Funds:		
Combining Statement of Net Assets – Nonmajor Enterprise Funds		118
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Nonmajor Enterprise Funds		119
Combining Statement of Cash Flows – Nonmajor Enterprise Funds		120
Combining Statement of Net Assets – Internal Service Funds		122
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds		124
Combining Statement of Cash Flows – Internal Service Funds		126
Agency Funds:		
Combining Balance Sheet – Agency Funds		130
Combining Statement of Changes in Assets and Liabilities – Agency Funds		132

STATISTICAL SECTION

	Table	Page
Net Assets by Component	1	137
Changes in Net Assets	2	138
Fund Balances of Governmental Funds	3	140
Changes in Fund Balances of Governmental Funds	4	142
Lincoln Electric System Megawatt-Hour Sales	5	144
Revenue from Electrical Sales by Customer Type	6	145
Total City Taxable Sales	7	146
Sales Tax Rates	8	147
Net Taxable Sales by Business Classification	9	148
Assessed Value and Actual Value of Taxable Property	10	149
Property Tax Rates	11	150
Principal Property Taxpayers	12	151
Property Tax Levies and Collections	13	153
Ratios of Outstanding Debt by Type	14	154
Ratios of General Bonded Debt Outstanding	15	156
Direct and Overlapping Governmental Activities Debt	16	157
Pledged Revenue Coverage	17	158
Demographic and Economic Statistics	18	160
Principal Employers	19	161
Full-Time Equivalent City Government Employees by Function	20	162
Operating Indicators by Function	21	163
Capital Asset Statistics by Function	22	164

SINGLE AUDIT SECTION

Schedule of Expenditures of Federal Awards 166
Notes to Schedule of Expenditures of Federal Awards 171
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* 172
Independent Accountants' Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 174
Schedule of Findings and Questioned Costs 176
Summary Schedule of Prior Audit Findings 180



CITY OF LINCOLN
NEBRASKA

MAYOR CHRIS BEUTLER
lincoln.ne.gov

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

February 23, 2011

Dear Citizens and Public Officials:

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

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

Our ability to manage the City's fiscal affairs and provide a full disclosure of the City's fiscal condition is exhibited by the unqualified audit opinion that follows. I am proud to report that the 2009 report submitted to the Government Finance Officers Association was recognized with the prestigious Certificate of Achievement for Excellence in Financial Reporting for the 27th consecutive year. This recognition is a credit to the City and a compliment to our dedicated Finance Department.

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

Sincerely,

Chris Beutler
Mayor of Lincoln

LINCOLN
The Community of Opportunity

CITY OF LINCOLN
NEBRASKA

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

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

LINCOLN
The Community of Opportunity

MAYOR CHRIS BEUTLER

lincoln.ne.gov

February 23, 2011

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

Both the City Charter and State law require an annual audit of the City's funds and accounts be made by a recognized independent and qualified accountant covering all financial transactions, affairs, and financial condition of the City, with the audit report published within six months after the close of the fiscal year. Pursuant to this requirement, the Comprehensive Annual Financial Report (CAFR) of the City of Lincoln, Nebraska for the fiscal year ended August 31, 2010, is hereby submitted.

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

As a recipient of federal, state and local financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. The federal government, under the revised OMB Circular A-133, requires local governments that expend $500,000 or more in federal funds in any fiscal year to have a financial and compliance audit performed. As part of the City's Single Audit, tests were made of the City's internal control structure over compliance and its compliance with applicable laws and regulations, including those related to major federal financial assistance programs. The Single Audit for the year ended August 31, 2010, disclosed no material internal control weaknesses. The independent accountants' reports are included in the Single Audit section found at the end of the CAFR.

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

A firm of licensed certified public accountants has audited the City's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City are free of material misstatement. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent accountants concluded, based upon the audit, that there was a reasonable basis for rendering unqualified opinions that the City's financial statements for the fiscal year ended August 31, 2010, are fairly presented in conformity with GAAP.

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

Profile of the City

The City of Lincoln, capital city of Nebraska, was originally incorporated on April 7, 1869. Lincoln is located in the southeastern corner of the state, is midway between Chicago and Denver, and is currently one of the fastest growing metro areas in the Midwest. It occupies a land area of approximately 90 square miles, serves a population of over 254,000, and in its growth and development has annexed five other municipalities so that the City includes most of the urban area of Lancaster County. It enjoys a unique position in Nebraska as the center of the state's governmental and educational activities.

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

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

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

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

Economic Condition and Outlook

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

The Lincoln metropolitan area population base (Lancaster County) continues to demonstrate a pattern of sustained growth. According to the U. S. Census figures, the Lincoln metropolitan area population grew by 79.03 percent since 1960. Lancaster County's rate of growth between 2000 and 2009 has been 10.57 percent or approximately 1.3 percent per year. The 2009 population of Lancaster County has been estimated to be in excess of 281,000 persons.

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

Lincoln's unemployment rate at August 31, 2010 was 3.9%, well below the national average of 9.6%, with employment strongest in the categories of government, educational & health services, and retail trade. Lincoln's current number of construction permits is down 23% when compared to levels 5 years ago, with a corresponding decrease in the value of construction permits of over $123 million.

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

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

Long-Term Planning and Major Initiatives

Urban Development

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

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

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

Ongoing and anticipated projects include:

- Downtown Redevelopment Projects:
  1) Block 38 Catalyst One site.
  2) Former Douglas III/Civic Plaza site.
  3) West Haymarket/Hotel project.
  4) North Haymarket Arts & Humanities Block.
  5) Block 85.
  6) Telesis/Meadow Gold project.
  7) Haymarket Hotel and Tool House.
  8) M Street Corridor planning.
  9) P & Q Streets Corridor planning.
  10) Centennial Mall project.
- North 27th Street redevelopment efforts are focusing on the acquisition of blighted properties and assembly for redevelopment.
- Antelope Valley Redevelopment Projects:
  1) Plaza Parkway Triangle, phase 1 – Assurity project site.
  2) 19th & K - WJS project site.
  3) 10th & Military – Creekside Village.
  4) 23rd & P – Antelope Creek Village.
- Havelock Redevelopment on-going projects include streetscape improvements, commercial building facade improvements, public parking lot improvements, and park improvements.
- University Place redevelopment of the former Green's Plumbing site.
- West O Street redevelopment projects and historic DLD marker project.
- NW Corridor redevelopment (West Cornhusker Highway).
- Innovation Campus redevelopment.
- 84th and Havelock redevelopment.
- South Capitol redevelopment.
- Focus area projects in Malone and South Capitol.
- Housing rehabilitation programs for quality, affordable housing and home ownership:
  1) Continuation of First-time Homebuyer and Owner-Occupied Housing Rehabilitation Loan programs.
  2) Partner with NeighborWorks-Lincoln for their Home Ownership Zone in Antelope Valley.
  3) Partner with other non-profit and for-profit housing organizations for affordable housing projects in low-to-moderate income neighborhoods under the Mayor's Stronger Safer Neighborhoods Program.
  4) Manage the local affordable housing effort made possible by Federal Economic Stimulus Programs.
- Real Estate Division major acquisition, negotiation and relocation projects:
  1) For effective transportation:
     - ✓ Antelope Valley transportation projects.
     - ✓ Antelope Valley redevelopment plan catalyst projects.
     - ✓ West Haymarket transportation projects.
     - ✓ Yankee Hill Roadway, 70th to 84th Street.
     - ✓ SW 40th Street overpass.
     - ✓ 14th Street, Superior to Alvo Road.
     - ✓ 56th Street, Old Cheney to Pine Lake Rd.
     - ✓ Old Cheney Road, 70th to 84th Street.
     - ✓ Pine Lake Road, 59th to Hwy 2.
     - ✓ RTSD Quiet Zone project.
     - ✓ East Beltway preliminary acquisitions.
     - ✓ South Beltway preliminary acquisitions.
     - ✓ Arterial rehab, executive order, traffic signal, and Federal Infrastructure Stimulus funded projects.
  2) For environmental quality:
     - ✓ Park sites city-wide.
     - ✓ Antelope Valley storm water projects.
     - ✓ Stevens Creek sanitary sewer Phase III.
     - ✓ Yankee Hill water main, 56th to 84th Street.
     - ✓ 98th Street water main, Holdrege to Alvo.
     - ✓ 56th & Arbor Road sewer and water district projects.
     - ✓ North 1st Street, Cornhusker Hwy to Superior Street.
     - ✓ Conservation easements and wetlands acquisitions.
     - ✓ Additional projects made possible by Federal Infrastructure Stimulus funds.

3) Relocation activities:
- ✓ North 27th Street projects.
- ✓ West Haymarket projects.
- ✓ Antelope Valley projects.

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

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

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

<u>West Haymarket Project</u>

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

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

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

<u>Antelope Valley Project</u>

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

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

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

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

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

Wastewater System

The Lincoln Wastewater System is projecting a capital improvements program in the amount of approximately $66,787,000 over the 6-year period of fiscal year 2010-11 through fiscal year 2015-16. Of that total, approximately $45,629,000 will be financed by revenue bonds, approximately $4,030,000 will be financed by impact fees, $640,000 from TIF funding, with the remaining $16,488,000 to come from utility revenue fees. The majority of these dollars are needed for replacement and maintenance of existing infrastructure, new infrastructure to serve development in various basins throughout the City, and improvements to both the Theresa Street and Northeast treatment plants.

Water System

The Lincoln Water System is projecting a capital improvements program in the amount of approximately $100,520,000 over the 6-year period of fiscal year 2010-11 through 2015-16. Of these dollars, approximately $82,550,000 will be financed through revenue bonds, approximately $4,530,000 will be financed from TIF funding, approximately $5,020,000 will be financed through impact fees, with the balance of $8,420,000 coming from utility revenue fees. The major projects contributing to these total dollars include the installation of transmission lines, replacement mains, replacement and new wells, and additional storage reservoirs.

Streets and Highways

The 2011-2016 Streets and Highways capital improvements program and Transportation improvement program identify average annual expenditures of $26 million for the next six years. Funding for these projects includes $108 million in City revenues, $25 million in federal aid, and $23 million in other funds.

Infrastructure Impact Fees

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

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

Pension Costs

The City currently contributes $2 for every $1 contributed by employees in the civilian retirement plans. In an effort to control this significant budget item, the City and three of four civilian unions have agreed to change the plan to a $1.29 to $1 match for new employees hired after the effective date. The City is unable to legally change the match for current employees. The City anticipates saving 20 to 25 percent in retirement costs for each employee hired under this new arrangement, with the first actual match reduction occurring in February, 2011.

Property Tax Collections

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

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

Parking Facilities

The City of Lincoln operates the following parking garages:

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

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

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

	2009-2010	2008-2009
Operating Revenues	$ 6,747,738	6,614,715
Operating Income Before Depreciation	3,407,137	3,739,947
Debt Service	1,998,056	1,998,056
Debt Service Coverage Ratio	1.71	1.87

Solid Waste Management

The City of Lincoln owns and operates a municipal solid waste landfill and a construction and demolition debris landfill that are subject to the U.S. Environmental Protection Agency rule *Solid Waste Disposal Facility Criteria*, which establishes closure and postclosure care requirements. As of August 31, 2010, the City estimates that it will incur costs approximating $20 million to adhere to such requirements (see Note 18 of Notes to the Financial Statements).

Water and Wastewater System

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

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

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

Water System	2009-2010	2008-2009
Operating Revenues	$25,135,127	25,692,203
Operating Income	3,881,476	3,769,225
Revenue Available For Debt Service	12,424,175	12,843,110
Debt Service	9,508,097	8,923,414
Debt Service Coverage Ratio	1.31	1.44

Lincoln Electric System (LES)

The City owns and operates its own electric utility system that is managed by an administrative board. Actions of the board with regard to rates, budgets, and long-term financing are subject to final review and approval by the City Council. In accordance with Section 4.24.090 of the Lincoln Municipal Code, LES operates on a January 1 - December 31, fiscal year. Audited financial information as of and for LES' fiscal year ended December 31, 2009, is included in the City's August 31, 2010, financial statements.

Certificate of Achievement

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

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

Acknowledgments

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

Respectfully submitted,

Don Herz
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lincoln
Nebraska

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
August 31, 2009

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

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

FINANCIAL SECTION

BKD LLP
CPAs & Advisors

1248 "O" Street, Suite 1040
Lincoln, NE 68508-1461
402.473.7600 Fax 402.473.7698 www.bkd.com

Independent Accountants' Report on Financial Statements and Supplementary Information

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lincoln, Nebraska (the City) as of and for the year ended August 31, 2010, which collectively comprise the City of Lincoln's basic financial statements. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Lincoln Electric System which represent 59%, 33% and 77%, respectively, of the total assets, net assets and revenues of the business-type activities. Those financial statements were audited by other accountants whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Lincoln Electric System, is based solely on the report of the other accountants. The prior-year summarized comparative financial information in these statements has been derived from the City's basic financial statements as of and for the year ended August 31, 2009, and in our report dated February 24, 2010, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

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

In our opinion, based on our audit and the report of other accountants, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lincoln, Nebraska as of August 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and street construction fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

BKD, LLP

February 23, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the City of Lincoln, Nebraska (the City) offers readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended August 31, 2010. Please consider this discussion in conjunction with the additional information provided in the Letter of Transmittal (beginning on page vii) and the transactions, events and conditions reflected in the City's financial statements (beginning on page 16).

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at August 31, 2010, by $1,546,569,783 (net assets). Of this amount, $308,220,460 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

- The City's total net assets increased by $37,572,599. Of this amount, $16,434,072, or 44 percent, was an increase in governmental activities and $21,138,527, or 56 percent, related to business-type activities.

- As of August 31, 2010, the City's governmental funds reported combined ending fund balances of $186,888,572, a decrease of $(3,878,503) in comparison with the prior year. Of this total fund balance, 58 percent, or $108,395,395, is available for spending at the City's discretion (unreserved fund balance).

- As of August 31, 2010, unreserved fund balance for the general fund was $25,701,931, or 25 percent of total general fund expenditures.

- The City's total bonded debt decreased by $35,188,000 (3.9 percent) during the current fiscal year. The City issued no additional bonded debt in the current year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

The statement of activities presents information showing how the City's net assets changed during the year ended August 31, 2010. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general administrative services, public safety, streets and highways, health, planning and zoning, parks and recreation, libraries, aging services, job programs, urban development, mass transportation, engineering, self-insurance, and fleet management. The business-type activities of the City include water, wastewater and electric utilities; ambulance transport; solid waste management; golf courses; auditorium; and parking.

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

FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-69 of this report.

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $1,546,569,783 at August 31, 2010.

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

City Of Lincoln
Condensed Statements of Net Assets
August 31, 2010 and 2009

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

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

At August 31, 2010, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

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

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

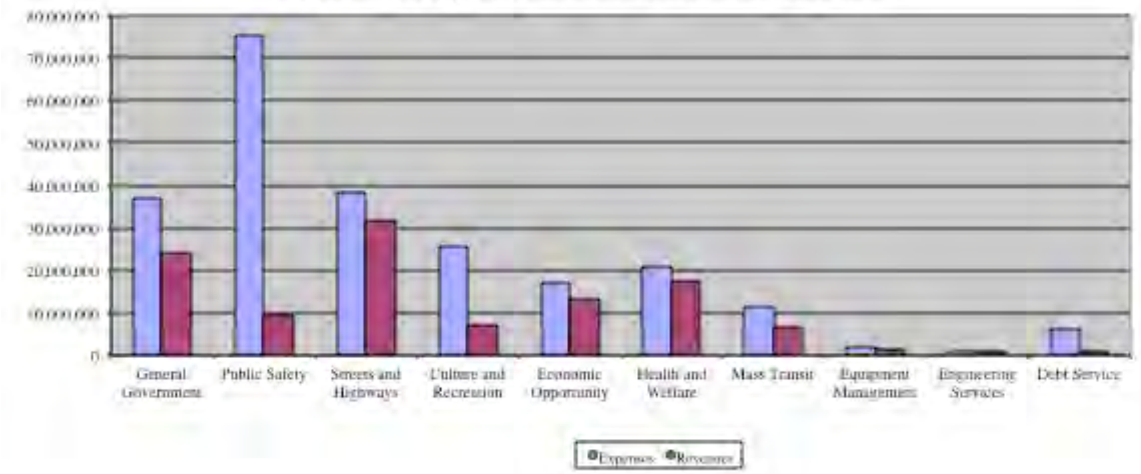
GOVERNMENTAL ACTIVITIES

Governmental activities increased the City's net assets by $16,434,072, accounting for 44 percent of the total growth in the net assets of the City of Lincoln. Key elements of this increase are as follows:

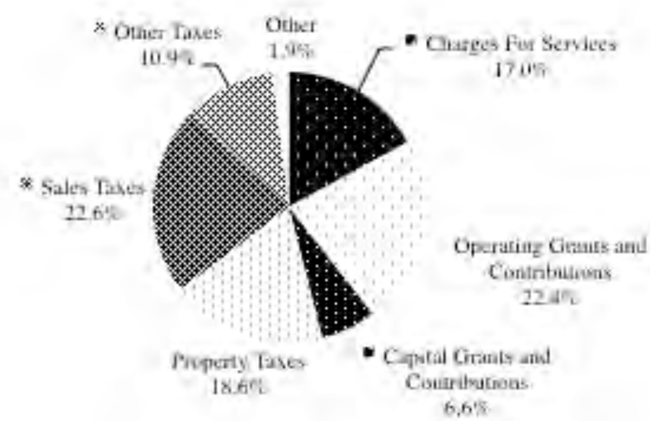
- The City's current year contribution to the Joint Antelope Valley Authority amounted to $2,783,720, of which a significant portion is federally funded.

- Sales taxes increased by approximately $1.0 million (1.9 percent) during 2010 after showing a decrease of 1.8% in the prior year.

Expenses and Program Revenues - Governmental Activities



Revenues By Source - Governmental Activities



BUSINESS-TYPE ACTIVITIES

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

- Water System operating revenues decreased by $557,076 (2.17%) from 2009. Effective February, 2010, there was a 5% user fee increase, but total water pumpage for 2010 was down 5% due to summer weather conditions. Operating expense decreased $669,327 (3.05%) due to decreased electricty and chemical costs from lower water pumpage.

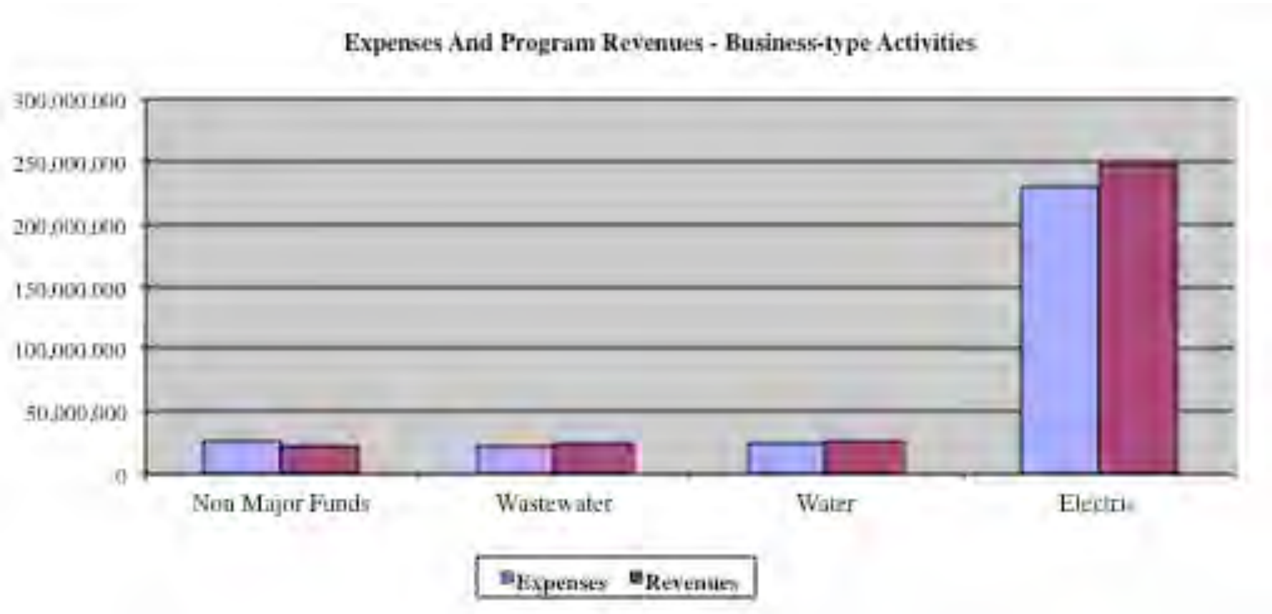
- Wastewater System operating revenues increased $560,848 (2.65%) primarily due to a 4% user fee increase implemented with the billings starting in February, 2010. Sanitary sewer bills for residential customers are based on water usage during a two-month period during the winter and remain the same over the balance of the following ten-month period. Non-residential customers are billed for sanitary sewer based on their monthly water usage.

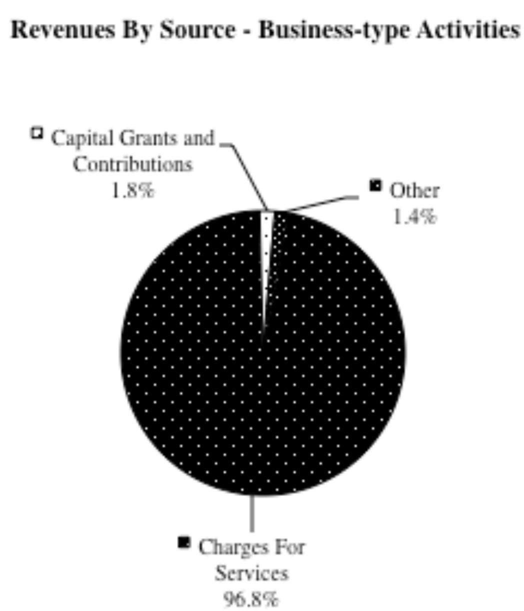
- Lincoln Electric System operating revenue in 2009 was 1% lower than 2008. Energy sales were down due to mild summer weather and the economy. Wholesale revenue was 20% less due to the end of a short-term sale of a portion of Walter Scott 4 generating station power, offset by increased non-firm sales benefiting from membership in Southwest Power Pool. Operating expense decreased 4% because of lower power cost from reduced fuel expense.

- LES recorded capital contributions of $2 million.

- Lincoln Water and Wastewater Systems each reported developer capital contributions of approximately $1.9 million.

- Lincoln Water and Wastewater Systems reported net losses in nonoperating activities due to interest expense.





FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

GOVERNMENTAL FUNDS

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

As of August 31, 2010, the City's governmental funds reported combined ending fund balances of $186,888,572, a decrease of $(3,878,503) in comparison with the prior year. Of this total amount, 58 percent constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to:

- long-term loans receivable ($19,566,000),
- pay debt service ($16,172,469),
- generate income for the purpose of funding health and health-related programs for the citizens of Lincoln ($37,000,000), and
- a variety of other restricted purposes ($5,754,708).

The General Fund is the chief operating fund of the City. At August 31, 2010, the unreserved fund balance of the General Fund was $25,701,931, while total fund balance reached $30,425,582. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 25 percent of total general fund expenditures, while total fund balance represents 30 percent of that same amount.

The fund balance of the City's General Fund decreased by $(1,829,641) during 2010. For the current fiscal year, appropriated General fund balance, used as a funding source for the budget decreased $542,052 to $2,608,706. General Fund balances as a future funding source are projected to decrease as the City reduces balances, measured at year end, to a goal of 15% of the projected General Fund budget five years in the future.

The Street Construction Fund had a total fund balance of $31,586,833, which is to be used in the construction and maintenance of street and highways. The net increase in fund balance during 2010 in the Street Construction Fund was $3,198,330, which was the result of changes in the demand for funding of the various JAVA projects.

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

PROPRIETARY FUNDS

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

Unrestricted net assets of the Wastewater System, Water System, Electric System, and other enterprise funds amounted to $10,008,549, $10,247,931, $83,113,000 and $2,788,606, respectively, at August 31, 2010 (December 31, 2009 for LES). Factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget were relatively minor (increase of $99,820 in appropriations) and can be briefly summarized as follows:

- $(689,576) in miscellaneous changes in general government activities.
- $(59,729) in decreases allocated to public safety.
- $(10,400) in decreases allocated to parks and recreation.
- $859,525 in increases allocated for General Fund transfers to other City funds.

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

- $1,924,797 positive variance in real estate and personal property tax. Actual property collections were 96.60% of the 2009 levy, while estimated tax revenue is based on 90% collections as provided by the City Charter.
- $1,199,660 positive variance in miscellaneous general government expenditures. Significant savings were realized in several service line items that are reappropriated to cover ongoing future expenditures.
- $(2,490,797) negative variance in street lighting function expenditures. This variance was the result of additions related to both normal construction as well as Antelope Valley Project construction.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of August 31, 2010, amounts to $2,040,718,713 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, streets, bridges, storm sewers, electric plant, and water and sewer plant. The total increase in the City's investment in capital assets for 2010 was .77 percent (a 1.31 percent increase for governmental activities and a .53 percent increase for business-type activities).

Major capital asset events during 2010 included the following:

- A variety of street construction widening and expansion projects for existing streets and bridges continued. Along with new construction of streets and drainage projects, construction-in-progress of infrastructure as of August 31, 2010 reached $82,932,000.

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

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

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

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

LONG-TERM DEBT

At August 31, 2010, the City of Lincoln had total bonded debt outstanding of $870,648,000. Of this amount, $118,383,000 comprises debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

City Of Lincoln
Outstanding Bonded Debt
August 31, 2010 and 2009
(dollar amounts in thousands)

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

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

The City maintains the following credit ratings:

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

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

Additional information on the City's long-term debt can be found in Note 9 of the notes to the financial statements on pages 49-54 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Property tax revenue required to fund the 2011 budget increased $349,273 or .86 percent from the prior year. Total change in the tax base is also estimated at .86 percent, therefore the tax rate for 2011 remains the same as 2010.

- The adequacy of fees charged for City service cost recovery is examined each year and some fee increases are included in each annual budget. Without periodic increases in fees, amounts collected, or other revenue adjustments, inflationary cost increases would need to be covered by additional property tax revenue or the levels of service provided would need to be reduced. Fee adjustments in 2011 include changes to the telecommunications occuption tax ordinance to clarify categories of gross revenue to be taxed effective October 1, 2010, resulting in an anticipated revenue increase of $666,666.

- A transfer of $3,732,350 from the Cash Reserve Fund (provided by surplus special assessment fund balance) will be used in 2011 to subsidize the City's tax funds.

- Sales tax collections for 2010 finished .83 percent behind projections. 2011 projections reflect a 1.96 percent increase over 2010 actual collections.

- A 5 percent water rate increase and a 5 percent wastewater rate increase were adopted by the City Council and were effective January, 2011.

- A hiring freeze and a retirement incentive package have been utilized in prior years to create vacant positions, eliminate positions, encourage reorganizations and make budget reductions while at the same time minimizing the number of layoffs. Staffing changes included in the 2010-2011 budget result in an increase for all funds of 19.97 full-time equivalents.

All of these factors were considered in preparing the City's budget for the 2011 fiscal year.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF LINCOLN, NEBRASKA
STATEMENT OF NET ASSETS
AUGUST 31, 2010
With Summarized Financial Information as of August 31, 2009

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

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

CITY OF LINCOLN, NEBRASKA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2010
With Summarized Financial Information for the Year Ended August 31, 2009

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

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

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

		General Fund	Street Construction Fund	West Haymarket JPA Fund	Other Governmental Funds	Total
ASSETS						
Cash and Cash Equivalents	$	6,609,172	7,531,109	2,710,908	15,284,268	32,135,457
Investments		10,799,505	20,259,752	-	91,285,881	122,345,138
Invested Securities Lending Collateral		-	-	-	1,025,994	1,025,994
Receivables, (Net of Allowance for Uncollectibles)		4,786,747	1,093,027	1,303	23,885,417	29,766,494
Due from Other Funds		1,732,085	4,419,316	-	4,931,635	11,083,036
Due from Other Governments		10,252,420	11,899,787	-	5,438,210	27,590,417
Inventories		475,372	47,203	-	816,558	1,339,133
Prepaid Items		8,314,491	-	-	-	8,314,491
Total Assets		42,969,792	45,250,194	2,712,211	142,667,963	233,600,160
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable		982,568	3,871,697	2,182,908	2,376,897	9,414,070
Contracts Payable		-	59,723	-	191,290	251,013
Accrued Liabilities		2,029,219	126,192	-	1,609,673	3,765,084
Due to Other Funds		7,872,362	27,482	2,741	5,917,477	13,820,062
Due to Other Governments		116,361	-	-	389,749	506,110
Tax Anticipation Note		-	-	2,000,000	-	2,000,000
Note Interest Payable		-	-	1,093	-	1,093
Bond Security Deposit		-	-	1,000,000	-	1,000,000
Unearned Revenue		-	-	-	575,298	575,298
Obligations under Securities Lending		-	-	-	1,025,994	1,025,994
Deferred Revenue		1,543,700	9,578,267	-	3,230,897	14,352,864
Total Liabilities		12,544,210	13,663,361	5,186,742	15,317,275	46,711,588
Fund Balances (Deficits):						
Reserved for:						
Inventories		475,372	47,203	-	816,558	1,339,133
Prepaid Items		317,037	-	-	-	317,037
Improvements		3,046,200	-	-	7,296	3,053,496
Grantor Loan Programs		-	-	-	19,566,000	19,566,000
Restricted Funds		885,042	-	-	-	885,042
Debt Service		-	-	-	16,172,469	16,172,469
Trust Donations (nonexpendable)		-	-	-	160,000	160,000
Health Care (nonexpendable)		-	-	-	37,000,000	37,000,000
Unreserved, Reported in:						
General Fund:						
Designated for Debt Service		379,783	-	-	-	379,783
Designated for Subsequent Years Expenditures		3,577,797	-	-	-	3,577,797
Designated for Encumbrances		859,428	-	-	-	859,428
Undesignated		20,884,923	-	-	-	20,884,923
Special Revenue Funds:						
Designated for Subsequent Years Expenditures		-	52,100	-	1,481,896	1,533,996
Designated for Encumbrances		-	5,319,256	-	3,782,754	9,102,010
Undesignated		-	26,168,274	(2,474,531)	23,087,592	46,781,335
Capital Projects Funds:						
Designated for Encumbrances		-	-	-	2,661,119	2,661,119
Undesignated		-	-	-	6,103,803	6,103,803
Permanent Funds:						
Designated for Contingencies		-	-	-	865,000	865,000
Undesignated		-	-	-	15,646,201	15,646,201
Total Fund Balances (Deficits)		30,425,582	31,586,833	(2,474,531)	127,350,688	186,888,572
Total Liabilities and Fund Balances (Deficits)	$	42,969,792	45,250,194	2,712,211	142,667,963	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		605,937,726
Investment in joint venture is not a financial resource and, therefore, is not reported in the funds.		152,591,777
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		14,352,864
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		29,167,115
Accrued pension contribution, long-term construction contracts and other liabilities require the use of unavailable financial resources and, therefore, are not reported in the funds.		(4,742,365)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(173,623,085)
Net assets of governmental activities	$	810,572,604

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

CITY OF LINCOLN, NEBRASKA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2010

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

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

CITY OF LINCOLN, NEBRASKA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2010

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	$	(3,878,503)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		8,335,241
The net effect of various miscellaneous transactions involving capital contributions is to increase net assets.		6,088,309
Revenues in the statement of activites that do not provide current financial resources are not reported as revenues in the funds: change in revenues in fund statements previously recognized in the statement of activities.		933,041
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		7,077,674
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(3,933,333)
Changes in the net pension obligation and the net OPEB obligation do not represent financial activity in governmental funds.		(857,118)
Changes in the interest in the underlying net assets of the joint venture do not represent financial activity in governmental funds.		2,783,720
Internal service funds are used by management to charge the costs of certain services to individual funds. The net revenue of the internal service funds is reported within governmental activities.		(114,959)
Change in net assets of governmental activities	$	16,434,072

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

CITY OF LINCOLN, NEBRASKA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED AUGUST 31, 2010

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

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

CITY OF LINCOLN, NEBRASKA
STREET CONSTRUCTION FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED AUGUST 31, 2010

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

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

CITY OF LINCOLN, NEBRASKA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AUGUST 31, 2010

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

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2010

	Business-Type Activities -- Enterprise Funds					Governmental Activities -- Internal Service Funds
	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Other Enterprise Funds	Total	
Operating Revenues						
Charges for Services	$ 21,703,427	25,135,127	245,705,000	4,415,824	296,959,378	48,916,235
Fees	-	-	-	7,555,077	7,555,077	-
Parking Revenue	-	-	-	7,215,699	7,215,699	-
Performance Revenue	-	-	-	1,531,079	1,531,079	-
Other Operating Revenue	-	-	-	609,487	609,487	-
Total Operating Revenues	21,703,427	25,135,127	245,705,000	21,327,166	313,870,720	48,916,235
Operating Expenses						
Personal Services	-	-	-	7,480,150	7,480,150	12,693,891
Contractual Services	-	-	-	7,323,081	7,323,081	-
Operation and Maintenance	10,067,749	11,833,628	13,708,000	5,933,457	41,542,834	34,601,517
Purchased Power	-	-	110,316,000	-	110,316,000	-
Depreciation	7,163,336	7,162,359	36,311,000	3,675,106	54,311,801	2,454,921
Administrative Costs	1,596,844	2,257,664	30,471,000	-	34,325,508	-
Total Operating Expenses	18,827,929	21,253,651	190,806,000	24,411,794	255,299,374	49,750,329
Operating Income (Loss)	2,875,498	3,881,476	54,899,000	(3,084,628)	58,571,346	(834,094)
Nonoperating Revenues (Expenses)						
Investment Earnings	455,149	523,674	477,000	217,280	1,673,103	516,717
Gain (Loss) on Disposal of Capital Assets	-	-	-	(76,996)	(76,996)	41,104
Insurance Recovery	688,025	-	-	24,713	712,738	-
Occupation Tax	-	-	-	1,984,400	1,984,400	-
Payments in Lieu of Taxes	-	-	(8,717,000)	-	(8,717,000)	-
Amortization of Deferred Charges	(38,904)	(76,887)	(666,000)	(56,441)	(838,232)	-
Interest Expense and Fiscal Charges	(3,398,746)	(2,139,410)	(29,052,000)	(766,560)	(35,356,716)	(658)
Total Nonoperating Revenues (Expenses)	(2,294,476)	(1,692,623)	(37,958,000)	1,326,396	(40,618,703)	557,163
Income (Loss) Before Contributions and Transfers	581,022	2,188,853	16,941,000	(1,758,232)	17,952,643	(276,931)
Capital Contributions	1,887,561	1,900,970	1,959,000	188,856	5,936,387	179,142
Transfers In	-	-	-	677,077	677,077	10,829
Transfers Out	-	-	(1,597,000)	(1,830,580)	(3,427,580)	(27,999)
Change in Net Assets	2,468,583	4,089,823	17,303,000	(2,722,879)	21,138,527	(114,959)
Net Assets - Beginning	187,555,708	244,638,107	225,860,000	56,804,837	714,858,652	29,282,074
Net Assets - Ending	$ 190,024,291	248,727,930	243,163,000	54,081,958	735,997,179	29,167,115

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

CITY OF LINCOLN, NEBRASKA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2010

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

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

CITY OF LINCOLN, NEBRASKA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
AUGUST 31, 2010

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

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

FISCAL YEAR-END

All funds of the City, with the exception of Lincoln Electric System (LES), are reported as of and for the year ended August 31, 2010. December 31st is the fiscal year-end of LES as established by the City Charter, and the last separate financial statements were as of and for the year ended December 31, 2009. The amounts included in the City's 2010 financial statements for LES are amounts as of and for the year ended December 31, 2009.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

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

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

The City reports the following major governmental funds:

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

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

The West Haymarket JPA Fund accounts for the activities of the joint public agency, a blended component unit of the City, established to facilitate the redevelopment of the West Haymarket Area.

The City reports the following major enterprise funds:

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

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

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

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

ASSETS, LIABILITIES, AND NET ASSETS OR FUND EQUITY

Deposits and Investments

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

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

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

Receivables and Payables

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

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

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

Inventories and Prepaid Items

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

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

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

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

Deferred Charges

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

Investment in Joint Venture

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

Capital Assets

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

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

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

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

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

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

Compensated Absences

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

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

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

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

Long-Term Obligations

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

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

Fund Equity

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

The City has established a policy providing for an unreserved fund balance in the City's General Fund. To meet excess cash flow needs, no less than twenty percent of the ensuing year's General Fund budget is to be set aside as an unrestricted reserve. Currently $24,054,573 of the General Fund's unreserved fund balance of $25,701,931 meets the requirements of this policy, leaving an additional unreserved balance of $1,647,358.

Net Assets Classification

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

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

Restricted – This component of net assets consists of restrictions placed on net assets use through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or law or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports $158,196,487 of restricted net assets, of which enabling legislation restricts $12,567,922.

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

BUDGETARY DATA

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

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

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

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

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

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

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

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

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

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

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

ENDOWMENTS

The Community Health Permanent Endowment Fund was established in 1997 with the $37,000,000 cash proceeds realized by the City from the sale of Lincoln General Hospital, and may be increased by donations, bequests, or appropriations to the fund. Investment earnings of the fund are used for funding health and health-related programs that further the health, safety, or welfare of the citizens of Lincoln. Earnings deposited with the City Treasurer shall be paid out only by order of those persons designated by the Community Health Endowment (CHE) Board of Trustees as outlined in the Fiscal and Budget Directives policy between the CHE and the City. State law directs that, subject to the intent of a donor expressed in the gift instrument, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. The current amount of net appreciation available for expenditure is $15,205,970, which is reported as expendable health care restricted net assets in the statement of net assets. The initial endowment principal is reported as nonexpendable health care restricted net assets in the statement of net assets.

PRIOR-YEAR SUMMARIZED FINANCIAL INFORMATION

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City’s basic financial statements as of and for the year ended August 31, 2009, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year’s presentation.

ESTIMATES

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

IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

In 2010, the City implemented the provisions of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies in the areas of recognition, initial measurement, and amortization, thereby enhancing the comparability among state and local governments. The implementation of GASB 51 did not have a material impact on the financial statements.

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

NEW ACCOUNTING PRONOUNCEMENTS

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

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

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

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

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

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

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

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

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances – total governmental funds* and *change in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this $8,335,241 difference are as follows:

Capital outlay	$	31,525,515
Depreciation expense		(23,190,274)
Net difference	$	8,335,241

Another element of that reconciliation states, "The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this $7,077,674 difference are as follows:

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

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this $(3,933,333) difference are as follows:

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

(3) RESTRICTED ASSETS

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

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

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

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

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

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

(4) DEPOSITS AND INVESTMENTS

DEPOSITS

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

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

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

INVESTMENTS

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

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

INVESTMENT POLICIES

General City Policy

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

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:

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

Investment agreements are made with provisions that if the provider is downgraded below Aa3 by Moody's Investors Service (Moody's) or AA- by Standard & Poor's (S&P) the provider must deliver collateral of U.S. Government agencies obligations at a margin of 104% and if the provider is further downgraded, the City will have the right to terminate the agreement and receive all invested amounts plus accrued but unpaid interest without penalty. As of August 31, 2010, the investment agreements were adequately collateralized with U.S. Government agencies obligations that had a rating of Aaa by Moody's and AAA by S&P.

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

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

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

Community Health Endowment (CHE) Policy

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

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. Treasurury and U.S. agencies obligations.

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

<u>Police & Fire Pension Trust Policy</u>

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

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

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

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

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

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

Summary of Deposit and Investment Balances

Following is a reconciliation of the City's deposit and investment balances as of August 31, 2010:

	Totals
Investments	$ 493,478,698
Deposits and Cash on Hand	2,234,242
	$ 495,712,940

	Government-wide Statement of Net Assets	Fiduciary Funds Statement of Net Assets	Totals
Cash and Cash Equivalents	$ 82,317,793	3,985,042	86,302,835
Investments	148,704,783	150,340,717	299,045,500
Invested Securities Lending	1,025,994	-	1,025,994
Restricted Assets:			
Cash and Cash Equivalents	18,790,915	-	18,790,915
Investments	90,547,696	-	90,547,696
	$ 341,387,181	154,325,759	495,712,940

Securities Lending Transactions

The policies of the Community Health Endowment Board of Trustees authorize CHE to participate in securities lending transactions, where securities are loaned to brokers and broker dealers with a simultaneous agreement to return the collateral for the same securities in the future. The custodial bank administers the securities lending program and receives cash at least equal in value to the fair value of the loaned securities as collateral for securities of the type on loan at year-end. Securities lent at year-end for cash collateral are presented as unclassified in the preceding schedule of custodial risk. At year-end, CHE has no credit risk exposure to borrowers because the amounts CHE owes the borrowers exceed the amounts the borrowers owe CHE. The cash cannot be spent by CHE unless the borrower defaults. There are no restrictions on the amount of securities that can be loaned, and there were no losses resulting from borrower default during the year. At August 31, 2010, securities lending transactions included U.S. treasuries and U.S. agency obligations.

Cash collateral is invested in one of the lending agent's short-term investment pools that had an average duration of 85 days. Because loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. Loss indemnification is provided to CHE by the contract with the custodian. Either CHE or the borrowers can terminate all securities loans on demand. Subsequent to August 31, 2010, CHE liquidated the securities lending transactions and terminated its participation in the program.

(5) RECEIVABLES

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

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

Enterprise funds customer accounts receivable include unbilled charges for services.

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

(6) DUE FROM OTHER GOVERNMENTS

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

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

(7) CAPITAL ASSETS

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

		Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:					
Capital Assets, not being Depreciated:					
Land	$	65,038,172	1,305,178	2,477,225	63,866,125
Construction in Progress		89,070,850	13,015,846	13,465,695	88,621,001
Total Capital Assets, not being Depreciated		154,109,022	14,321,024	15,942,920	152,487,126
Capital Assets, being Depreciated:					
Buildings		74,492,330	2,317,474	147,222	76,662,582
Improvements Other Than Buildings		61,762,633	3,387,349	227,817	64,922,165
Machinery and Equipment		77,567,053	7,042,858	2,927,207	81,682,704
Infrastructure		512,144,037	22,895,115	108,546	534,930,606
Total Capital Assets, being Depreciated		725,966,053	35,642,796	3,410,792	758,198,057
Less Accumulated Depreciation for:					
Buildings		28,984,131	1,868,252	140,031	30,712,352
Improvements Other Than Buildings		24,912,466	1,950,067	129,809	26,732,724
Machinery and Equipment		46,524,484	6,328,168	2,770,885	50,081,767
Infrastructure		164,888,695	15,498,708	25,436	180,361,967
Total Accumulated Depreciation		265,309,776	25,645,195	3,066,161	287,888,810
Total Capital Assets, being Depreciated, Net		460,656,277	9,997,601	344,631	470,309,247
Governmental Activities Capital Assets, Net	$	614,765,299	24,318,625	16,287,551	622,796,373

		Beginning Balances	Increases	Decreases	Ending Balances
Business-type Activities:					
Capital Assets, not being Depreciated:					
Land	$	21,691,556	367,472	108,476	21,950,552
Construction in Progress		105,586,567	59,195,878	114,409,768	50,372,677
Total Capital Assets, not being Depreciated		127,278,123	59,563,350	114,518,244	72,323,229
Capital Assets, being Depreciated:					
Buildings		192,385,546	1,080,445	155,824	193,310,167
Improvements Other Than Buildings		561,805,034	45,458,544	3,360,482	603,903,096
Machinery and Equipment		27,641,957	2,689,264	1,207,439	29,123,782
Utility Plant		1,128,630,000	68,127,000	4,357,000	1,192,400,000
Total Capital Assets, being Depreciated		1,910,462,537	117,355,253	9,080,745	2,018,737,045
Less Accumulated Depreciation for:					
Buildings		62,349,048	4,573,420	155,824	66,766,644
Improvements Other Than Buildings		149,444,539	11,704,462	3,360,482	157,788,519
Machinery and Equipment		16,320,107	1,722,919	1,151,255	16,891,771
Utility Plant		399,228,000	36,311,000	3,848,000	431,691,000
Total Accumulated Depreciation		627,341,694	54,311,801	8,515,561	673,137,934
Total Capital Assets, being Depreciated, Net		1,283,120,843	63,043,452	565,184	1,345,599,111
Business-type Activities Capital Assets, Net	$	1,410,398,966	122,606,802	115,083,428	1,417,922,340

Depreciation expense was charged to functions/programs as follows:

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

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

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

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

		Beginning Balances	Increases	Decreases	Ending Balances
Lincoln Electric System:					
Capital Assets, not being Depreciated:					
Construction in Progress	$	68,035,000	40,827,000	67,633,000	41,229,000
Capital Assets, being Depreciated:					
Utility Plant		1,128,630,000	68,127,000	4,357,000	1,192,400,000
Less Accumulated Depreciation		399,228,000	36,311,000	3,848,000	431,691,000
Total Capital Assets, being Depreciated, Net		729,402,000	31,816,000	509,000	760,709,000
Electric System Capital Assets, Net	$	797,437,000	72,643,000	68,142,000	801,938,000

During 2010, Lincoln Wastewater System incurred $3,612,415 of interest cost, of which $213,669 was capitalized into construction in progress. Lincoln Water System incurred $3,247,849 of interest cost, of which $1,108,439 was capitalized into construction in progress. Capitalized interest is added to the cost of the underlying assets and is amortized over the useful lives of the assets.

Lincoln Electric System utility plant includes an allowance for funds used during construction of projects costing in excess of $500,000 with a construction period in excess of 12 months. The allowance for funds used during construction consists of the plant balance times the weighted-average interest rate on debt based on Federal Energy Regulatory Commission accounting method. The weighted-average rate for 2009 was 4.6%.

(8) INTERFUND BALANCES AND ACTIVITY

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

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

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

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

Transfers To/From Other Funds for the year ended August 31, 2010, consist of the following:

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

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.

(9) DEBT OBLIGATIONS

SHORT-TERM

Established by City Ordinance, LES may borrow up to $150 million under a commercial paper note program. At December 31, 2009, LES had $90 million of tax-exempt commercial paper notes outstanding. The notes mature at various dates but not more than 270 days after the date of issuance. The weighted-average interest rate for the year ended December 31, 2009, was 0.54 percent. The outstanding commercial paper notes are secured by a revolving credit agreement, which provides for borrowings up to $150 million. LES pays a commitment fee for the credit agreement. Under the terms of the agreement, LES can either settle or refinance the commercial paper upon maturity. LES uses these vehicles as part of their long-term financing strategy. As such, commercial paper is renewed as it matures. The weighted average length of maturity of commercial paper for 2009 was 62 days.

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

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

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

LONG-TERM

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

Net assets of $3,448,228, $2,928,428, and $9,795,813, are currently available in the debt service funds to service the General Obligation Bonds, Tax Supported Bonds, and Tax Allocation Bonds, respectively. Revenue Bonds are funded partially from reserve accounts set up for debt repayment and partially from proceeds of daily operations.

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

	Governmental Activities	Business-Type Activities
Land	$ 515,750	$ 210,000
Buildings	12,914,750	-
Improvements	219,925	-
Infrastructure	12,460,176	-
Machinery and Equipment	1,838,042	3,278,413
Less Accumulated Depreciation, (where applicable)	(4,348,400)	(2,271,231)
Total	$ 23,600,243	$ 1,217,182

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

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

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

Original Amount	Issued	Issue	Interest Rate	When Due	Date Callable	Interest Date	Outstanding
Governmental Activities:							
General Obligation Bonds:							
General Bonds:							
14,435	03/01/99	Various Purpose Series A	3.000 - 4.600	Serial 2000 to 2014	2009	Semiannually	$ 4,775
7,365	03/01/99	Various Purpose Series A	4.750	Term 2019	2009	"	7,365
8,220	03/01/99	Various Purpose Series B	3.000 - 4.250	Serial 1999 to 2011	2007	"	525
6,350	05/29/02	Storm Sewer and Drainage	3.000 - 5.000	Serial 2004 to 2020	2010	"	4,625
1,150	05/29/02	Storm Sewer and Drainage	5.00	Term 2022	2010	"	1,150
15,595	07/08/03	Various Purpose	2.625 - 3.750	Serial 2004 to 2017	2013	"	6,180
3,710	07/08/03	Various Purpose	4.000 / 4.125	Term 2020 & 2023	2013	"	3,710
6,555	06/01/05	Storm Sewer Refunding	2.500 - 4.375	Serial 2005 to 2017	2011	"	4,395
9,950	06/15/05	Storm Sewer Construction	3.250 - 4.250	Serial 2006 to 2025	2015	"	8,070
8,295	06/27/07	Stormwater Drainage and Flood Mgmt	4.625 - 5.000	Serial 2008 to 2027	2017	"	7,535
	Total General Bonds						$ 48,330
Tax Allocation Bonds:							
1,035	04/21/04	Tax Allocation Bonds	2.000 - 3.200	Serial 2004 to 2011	2008	Semiannually	290
5,500	04/21/04	Tax Allocation Bonds	3.000 - 4.800	Serial 2004 to 2015	2010	"	3,325
365	08/15/05	Tax Allocation Bonds	4.750	Serial 2006 to 2018	Anytime	"	244
288	10/01/06	Tax Allocation Bonds	5.100	Serial 2008 to 2016	Anytime	"	219
2,205	04/05/07	Tax Allocation Bonds	5.000 - 5.550	Serial 2009 to 2018	2012	"	2,030
601	06/01/07	Tax Allocation Bonds	5.240	Serial 2008 to 2018	Anytime	"	571
388	06/01/07	Tax Allocation Bonds	5.240	Serial 2007 to 2020	Anytime	"	323
369	06/15/07	Tax Allocation Bonds	5.400	Serial 2007 to 2014	Anytime	"	239
42	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2021	Anytime	"	39
71	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2017	Anytime	"	67
474	07/15/08	Tax Allocation Bonds	4.660	Serial 2009 to 2022	Anytime	"	382
547	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	501
200	08/01/08	Tax Allocation Bonds	4.610	Serial 2009 to 2022	Anytime	"	182
611	06/30/09	Tax Allocation Bonds	7.00	Serial 2011 to 2023	Anytime	"	611
3,375	07/28/09	Tax Allocation Bonds	2.500 - 6.400	Serial 2011 to 2023	Anytime	"	3,375
	Total Tax Allocation Bonds						$ 12,398
Tax Supported Bonds:							
35,000	03/17/04	Highway Allocation Fund	2.000 - 5.000	Serial 2007 to 2023	2014	Semiannually	33,365
27,000	12/05/06	Highway Allocation Fund	4.000 - 5.000	Serial 2008 to 2027	2016	"	24,290
	Total Tax-Supported Bonds						$ 57,655
	TOTAL GENERAL OBLIGATION BONDS						$ 118,383
Tax Supported Bonds:							
11,080	3/13/02	Antelope Valley Project	1.500 - 5.000	Serial 2002 to 2016	2012	Semiannually	$ 6,605
Business-Type Activities:							
Revenue Bonds:							
39,235	07/31/03	Wastewater Revenue	2.000 - 5.000	Serial 2004 to 2023	2013	Semiannually	$ 28,060
15,765	07/31/03	Wastewater Revenue	4.625 / 5.000	Term 2025 & 2028	2013	"	15,765
18,000	08/03/05	Wastewater Revenue	4.000 - 5.000	Serial 2006 to 2030	2015	"	15,525
16,710	04/18/07	Wastewater Revenue	4.000 - 4.500	Serial 2008 to 2029	2017	"	15,310
3,750	04/18/07	Wastewater Revenue	4.375	Term 2032	2017	"	3,750
	Total Wastewater Bonds						$ 78,410
11,850	11/22/02	Water Revenue	2.750 - 5.000	Serial 2005 to 2017	2012	Semiannually	$ 7,075
6,660	11/22/02	Water Revenue	5.000	Term 2022	2012	"	6,660
32,180	05/01/03	Water Revenue	5.000	Serial 2004 to 2012	-	"	6,965
40,000	11/16/04	Water Revenue	3.000 - 5.000	Serial 2005 to 2025	2014	"	34,110
10,515	08/04/09	Water Revenue	2.000 - 4.125	Serial 2013 to 2029	2019	"	10,515
4,905	08/04/09	Water Revenue	4.5000	Term 2034	2019	"	4,905
	Total Water Bonds						$ 70,230
6,695	09/08/99	Parking Revenue Series A	5.375	Term 2014	2009	"	$ 5,525
4,360	12/18/01	Parking Revenue	3.750 - 5.000	Serial 2002 to 2017	2011	"	2,210
1,640	12/18/01	Parking Revenue	5.125	Term 2021	2011	"	1,640
	Total Parking Bonds						$ 9,375
3,165	11/27/01	Golf Course Revenue Refunding	2.300 - 4.050	Serial 2002 to 2011	2008	Semiannually	$ 365
4,000	08/17/06	Solid Waste Management Revenue	4.000 - 4.250	Serial 2007 to 2021	2013	Semiannually	$ 3,230
148,190	10/01/02	Electric Revenue and Refunding Bonds	4.000 - 5.000	Serial 2004 to 2025	2012	"	92,730
93,045	10/01/03	Electric Revenue and Refunding Bonds	3.000 - 5.000	Serial 2004 to 2026	2014	"	81,370
33,265	10/01/03	Electric Revenue and Refunding Bonds	4.750	Term 2028	2014	"	33,265
61,290	10/01/05	Electric Revenue Bonds	5.000	Serial 2029 to 2032	2015	"	61,290
53,710	10/01/05	Electric Revenue Bonds	4.750	Term 2035	2015	"	53,710
183,230	05/15/07	Electric Revenue and Refunding Bonds	4.000 - 5.000	Serial 2009 to 2035	2016	"	179,835
81,850	05/15/07	Electric Revenue and Refunding Bonds	4.500 / 4.750	Term 2034 & 2037	2016	"	81,850
	Total Electric Bonds						$ 584,050
	TOTAL REVENUE BONDS						$ 745,660

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 Principal	General Obligation Bonds Interest	Tax Supported Bonds Principal	Tax Supported Bonds Interest	Capital Leases Principal	Capital Leases Interest
2011	$ 7,288	5,130	685	299	3,575	1,010
2012	8,162	4,816	710	271	4,008	920
2013	8,063	4,474	740	238	2,779	798
2014	8,385	4,120	780	200	2,772	709
2015	8,700	3,746	815	162	2,863	618
2016 - 2020	41,294	12,956	2,875	173	8,504	1,825
2021 - 2025	31,551	4,516	-	-	2,673	729
2026 - 2030	4,940	319	-	-	1,662	137
2031 - 2035	-	-	-	-	153	3
	$ 118,383	40,077	6,605	1,343	28,989	6,749

Fiscal Year Ended August 31	Business-Type Activities: Revenue Bonds Principal	Revenue Bonds Interest	Loans Payable Principal	Loans Payable Interest	Capital Leases Principal	Capital Leases Interest
2011	$ 29,000	35,271	-	-	318	31
2012	28,750	33,895	112	62	258	24
2013	27,800	32,481	139	35	198	18
2014	29,265	31,121	140	33	205	13
2015	28,955	29,673	142	32	152	7
2016 - 2020	166,625	125,483	735	133	197	7
2021 - 2025	128,475	87,971	780	89	-	-
2026 - 2030	111,185	60,614	829	40	-	-
2031 - 2035	116,345	33,258	172	2	-	-
2036 - 2040	79,260	6,078	-	-	-	-
	$ 745,660	475,845	3,049	426	1,328	100

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 Principal	Wastewater System Interest	Water System Principal	Water System Interest	Electric System Principal	Electric System Interest
2011	$ 2,785	3,607	6,310	3,192	17,820	27,840
2012	2,992	3,566	5,380	2,905	18,680	26,956
2013	3,119	3,423	3,310	2,647	19,610	26,007
2014	3,225	3,296	3,425	2,506	20,595	25,010
2015	3,347	3,147	3,555	2,354	21,620	23,972
2016 - 2020	18,760	13,338	20,055	9,147	125,255	102,390
2021 - 2025	23,115	8,691	20,130	4,300	84,860	75,017
2026 - 2030	21,389	3,078	4,045	1,434	86,580	56,141
2031 - 2035	2,727	171	4,020	464	109,770	32,626
2036 - 2040	-	-	-	-	79,260	6,078
	$ 81,459	42,317	70,230	28,949	584,050	402,037

Long-term liability activity for the year ended August 31, 2010 was as follows (in thousands of dollars):

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

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

Long-term liability activity for the major enterprise funds for the year ended August 31, 2010, was as follows (in thousands of dollars):

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

(10) RECONCILIATION OF BUDGET BASIS TO GAAP

Amounts presented on a non-GAAP budget basis of accounting differ from those presented in accordance with GAAP due to the treatment afforded accruals, encumbrances, and funds for which legally adopted annual budgets are not established. A reconciliation for the year ended August 31, 2010, which discloses the nature and amount of the adjustments necessary to convert the actual GAAP data to the budgetary basis, is presented below:

	General Fund	Street Construction Fund
Net Change in Fund Balances:		
Balance on a GAAP basis	$ (1,829,641)	3,198,330
Basis differences (accruals) occur because the cash basis of accounting used for budgeting differs from the modified accrual basis of accounting prescribed for governmental funds.	(798,683)	(146,855)
Amount budgeted on a project basis.	-	12,727,628
Balance on a budget basis	$ (2,628,324)	15,779,103

(11) DEFICIT NET ASSETS

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

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

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

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

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

(12) EXCESSES OF EXPENDITURES OVER APPROPRIATIONS

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

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

(13) EMPLOYEES' RETIREMENT PLANS

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

POLICE AND FIRE PENSION

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

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

Membership of the pension plan consisted of the following at August 31, 2010, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	408
Terminated plan members entitled to but not yet receiving benefits	26
Active plan members (non-DROP)	561
DROP members	55
Total	1,050
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 2010 was 10.7% of annual covered payroll. Actual contributions by the City were 11.7% of annual covered payroll. Administrative costs of PFDP are financed through investment earnings.

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

(Dollar amounts in thousands)

Annual required contribution	$ 3,752
Interest on net pension obligation	302
Adjustment to annual required contribution	(478)
Annual pension cost	3,576
Contributions made	3,963
Decrease in net pension obligation	(387)
Net pension obligation beginning	3,983
Net pension obligation ending	$ 3,596

Three-Year Trend Information
(Dollar amounts in thousands)

Year Ended August 31	Annual Pension Cost (APC)	Annual Pension Contribution	Percentage of APC Contributed	Net Pension Obligation
2010	$ 3,576	$ 3,963	111 %	$ 3,596
2009	3,123	3,572	114	3,983
2008	3,907	3,456	88	4,432

Actuarial Methods and Assumptions – The annual required contribution for the current year was determined as part of the August 31, 2008, actuarial valuation using the entry age actuarial funding method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5% per year compounded annually, (b) projected salary increases of 4.25 to 8.25% per year, including wage inflation at 4.25%, and (c) the assumption that benefits will not increase after retirement. The actuarial value of assets was determined using a four year smoothed market method. The unfunded actuarial accrued liability is being amortized as a level percentage of payrolls on an open basis over a period of thirty years.

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

$22,889,000. The covered payroll (annual payroll of active employees covered by the plan) was $34,233,000, and the ratio of the UAAL to the covered payroll was 66.86 percent.

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

ELECTRIC SYSTEM

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

LES has a defined contribution retirement plan covering all employees upon employment; however, employees are not eligible to receive employer contributions until they have been employed six months. The plan is a straight-money purchase plan, administered by LES. LES' contribution is equal to 200% of the employees' contributions, which range from 2% to 5% of gross wages. The administrative board of directors authorized this plan and related contribution requirements. Vesting of LES contributions occurs over a five-year period. Employee forfeitures are used to reduce employer contributions. Vested benefits are fully funded. For the year ended December 31, 2009, LES incurred contribution expense of approximately $3,143,000 (9.5% of covered payroll) and its employees contributed approximately $2,117,000 (6.4% of covered payroll).

DEPARTMENT DIRECTORS

Directors of City departments are eligible the first of the month following the date employed to be covered by the Director's Money Purchase Plan, established by City Ordinance, and administered by an insurance company. The Plan is a defined contribution plan requiring the City to contribute 6% of the first $4,800 of earned income plus 12% of earned income over $4,800 in one calendar year. Employees covered by the Plan may also make voluntary contributions. Participant accounts are immediately 100% vested. Total and covered payroll for the year ended December 31, 2009, was $1,806,788. City contributions totaled $210,349 or 11.6% of covered payroll. There were no employee contributions made for the year ended December 31, 2009.

ALL OTHER CITY EMPLOYEES

All other City employees are eligible after 6 months' service and age 19 to be covered under the City's Money Purchase Pension Plan, established by City Ordinance, and administered by an insurance company. Enrollment in the program is mandatory at age 40 with 5 years service. Vesting occurs in increments between 3 and 7 years of enrollment in the plan. The Plan is a defined contribution plan requiring employees to contribute 3% of earnings on the first $4,800 and 6% on the balance of earnings. Currently, the City contributes 200% of the employees' contributions. Employee forfeitures are used to reduce employer contributions. Employees covered by the Plan may also make voluntary contributions. During the year ended December 31, 2009, total payroll was approximately $73,098,000 and covered payroll was approximately $64,753,000. City contributions totaled $7,147,081 or 11.0% of covered payroll and employee contributions totaled $3,693,124 or 5.7% of covered payroll. Employees made $104,982 in voluntary contributions for the year ended December 31, 2009.

(14) OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

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

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

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

(Dollar amounts in thousands)

Annual required contribution	$ 2,111
Interest on net OPEB obligation	37
Adjustment to annual required contribution	(51)
Annual OPEB cost	2,097
Contributions made	(526)
Increase in net OPEB obligation	1,571
Net OPEB obligation beginning	830
Net OPEB obligation ending	$ 2,401

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

Year Ended August 31	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	$ 2,097,000	25.1 %	$ 2,401,000
2009	656,000	37.2	830,000
2008	662,000	36.9	418,000

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

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

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

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

PEHP – Defined Contribution Plan

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

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

(15) PROPERTY TAXES

The Home Rule Charter of the City imposes a tax ceiling for general revenue purposes. The City tax ceiling was established by using the September 1, 1966, City dollar tax limit as an initial tax limit, and increasing that tax limit each year following 1966 by 7% so that in each fiscal year thereafter the amount of the City tax limit shall be the amount of the City tax limit for the previous year plus 7% thereof. In addition, the City has the power to levy taxes each year sufficient to pay any judgment existing against the City, the interest on bonded debt, and the principal on bonded debt maturing during the fiscal year or within 6 months thereafter, as well as taxes authorized by state law. The 2009 tax levy, for the 2009-2010 fiscal year, was $84,939,527 below the legal limit, with a tax rate per $100 valuation of $0.2879. The assessed value upon which the 2009 levy was based was $15,746,453,582.

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

Within the government-wide financial statements, property taxes are recognized as revenue in the year for which they are levied. Property taxes levied for 2009-2010 are recorded as revenue in the fund financial statements when expected to be collected within 60 days after August 31, 2010. Prior-year levies were recorded using these same principles, and remaining receivables are re-evaluated annually. Property taxes expected to be collected after 60 days are recorded as deferred revenue on the fund balance sheets.

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

(16) RISK MANAGEMENT

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

For the year ended August 31, 2010, the City had a self-insured retention for workers' compensation exposures up to $500,000 per individual; law enforcement liability, general liability, public officials liability, public transportation liability, medical professional liability, and auto liability exposures up to $250,000 per occurrence; building and contents property exposures up to $50,000 per occurrence; health and dental benefits, and employee long-term disability benefits.

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

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

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

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

The City funds its self-insurance program on an "incurred loss" basis. The governmental and proprietary funds pay annual premium amounts, based on past experience of incurred losses, to the Insurance Revolving Fund. Claim liabilities of $8,714,070 were recorded at August 31, 2010. Excluding medical care claims approximating $1,228,000, the remaining liability is the actuarially estimated amount of claims based on an estimate of ultimate incurred and incurred but not reported losses as of that date and is calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs, and other economic and social factors. The claims liability estimate also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of their allocation to specific claims. These liabilities have been discounted using a 2.36% discount rate. The City has purchased no annuity contracts in the current fiscal year to resolve City of Lincoln claims.

The following is a summary of the changes in the estimated claims liability for the years ended August 31, 2010 and 2009:

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

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

LINCOLN ELECTRIC SYSTEM

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

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

(17) COMMITMENTS AND CONTINGENCIES

GENERAL

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

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

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

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

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

The City has entered into various agreements with developers for reimbursement of eligible infrastructure construction. After construction is substantially complete, the developer will be reimbursed based upon the anticipated expenditure appropriations or collection of directed impact fees within the development area. As of August 31, 2010, the City's commitment to developers is estimated to be approximately $41,000,000.

STREET CONSTRUCTION PROJECTS

The City's Street Construction Capital Projects Fund has commitments under major construction contracts in progress of approximately $5,500,000 as of August 31, 2010, which will be financed primarily through highway user fees, bond proceeds, federal and state grants, and developer contributions.

LINCOLN WASTEWATER SYSTEM

The Lincoln Wastewater System has commitments under major construction contracts in progress of approximately $4,900,000 at August 31, 2010.

LINCOLN WATER SYSTEM

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

LINCOLN ELECTRIC SYSTEM

Participation Contracts with NPPD

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

LES is responsible for its respective participating interests in the two facilities' capital additions and improvements. LES's share of debt service payments necessary to retire the respective participating interests of principal and interest on bonds issued by NPPD for the facilities was approximately $6,600,000 in 2009. LES recognizes its share of capital acquisition costs and debt service payments as power costs in the period the costs are billed with the exception of costs approved for deferral under FAS 71. Fixed cost payments under the agreements are on a participation basis whether or not such plants are operating or operable. LES recognized expense for its share of the total fixed costs of approximately $18,600,000 in 2009.

The participation contracts continue until the facilities are removed from commercial operation or the final maturity occurs on the related debt incurred by NPPD to finance the facilities, whichever occurs last. The estimated fixed cost payments to NPPD under these contracts, including capital additions and improvements, debt service payments and fixed costs, and credits aggregate approximately $23,400,000, $21,000,000, $21,800,000, $19,600,000, and $21,500,000, respectively, in each of the five years subsequent to December 31, 2009.

Laramie River Station (LRS)

LES is a 12.76 percent co-owner of the Missouri Basin Power Project, which includes LRS, a three-unit, 1,650 MW coal-fired generating station in eastern Wyoming and a related transmission system. Costs, net of accumulated depreciation, associated with LRS of approximately $26,000,000 are reflected in utility plant at December 31, 2009.

LES has a participation power sales agreement with the County of Los Alamos, New Mexico (the County) whereby the County purchases from LES 10 MW of LES's capacity interest in LRS. The agreement provides for the County to pay LES monthly fixed payments for the repayment of debt service. The amount is subject to change each July 1 based on debt costs of LES relative to the current market rates, until termination of the agreement. The agreement remains in effect until either the final maturity occurs on any LRS related debt, LRS is removed from commercial operation, or the County gives LES six-months' notice to terminate the agreement. During 2009, LES billed the County approximately $3,200,000 for demand and energy charges.

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

Walter Scott Energy Center (WS4)

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

(18) LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

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

At August 31, 2010, the City had incurred a liability of approximately $9,140,000 for the municipal solid waste landfill which represents the amount of costs reported to date based on the approximately 47 percent of landfill capacity used to date. The remaining estimated liability for these costs is approximately $10.1 million, which will be recognized as the remaining capacity is used (estimated to be approximately 24 years).

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

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

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

The City of Lincoln also owns a solid waste disposal area that discontinued operations in 1990. Although exempt from the U.S. Environmental Protection Agency *Solid Waste Disposal Facility Criteria* issued October 9, 1991, the City must still adhere to certain closure and postclosure care requirements under prior legislation, including the construction of final cover, monitoring of ground water conditions and landfill gas migration, and general site maintenance. At August 31, 2010, a liability for closure and postclosure care costs is recorded in the amount of approximately $3,792,000, which is based on appropriations identified in the City's capital improvement projects budgeting process. Additional corrective action costs related to possible landfill gas migration and groundwater conditions may be identified once testing is completed and the state regulatory agency has issued a final determination. These additional potential costs cannot be reasonably estimated and thus no liability has been accrued as of August 31, 2010.

(19) FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Long-term debt – The estimated fair value of the long-term debt is approximately $82,307,000 for the Water System and $94,913,000 for the Wastewater System based on borrowing rates currently available as of August 31, 2010.

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

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

(20) SEGMENT INFORMATION

The City has issued revenue bonds and other debt instruments to finance capital construction and acquisitions for both the Parks and Recreation and Public Works/Utilities Departments. The Golf Division of the Parks and Recreation Department operates the City's golf courses and is accounted for in the Golf Fund. The Parking Facilities Division of the Urban Development Department operates the City's downtown parking garages and is accounted for in the Parking Facilities Fund. The Solid Waste Operations Section of the Public Works/Utilities Department operates the City's solid waste disposal sites, yard waste composting facility, and re-cycling drop-off program. Summary financial information for these divisions as of and for the year ended August 31, 2010, is presented as follows:

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

(21) PLEDGED REVENUES

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

The City has pledged future revenues derived from the operation of the Lincoln Water System, net of operating and maintenance expenses, to repay $106,110,000 in water revenue bonds. Proceeds from the bonds provided financing for improvements to the water supply system, as well as refunding $37.8 million of water revenue bonds. The bonds are payable solely from the net earnings of the Water System and are payable through 2034. The total principal and interest remaining to be paid on the bonds is $99,179,389, with annual payments expected to require 76.5 percent of net revenues. Principal and interest paid for the current year and net system revenues were $9,508,097 and $12,424,175, respectively.

The City has pledged future revenues derived from the operation of the Lincoln Electric System, net of operating, maintenance and certain power expenses, to repay $654,580,000 in electric revenue bonds. Proceeds from the bonds provided financing for construction of additional utility plant, as well as refunding certain issues of electric revenue bonds. The bonds are payable solely from the net earnings of the Electric System and are payable through 2037. The total principal and interest remaining to be paid on the bonds is $986,087,000, with annual payments expected to require 52 percent of net revenues. Principal and interest paid for the current year and net system revenues were $45,946,000 and $91,687,000, respectively.

The City has pledged future revenues derived from the operation of the Lincoln Golf Courses, net of operating expenses, to repay $3,165,000 in golf revenue refunding bonds. Proceeds from the bonds provided financing for refunding $3.3 million of 1991 Golf Course Revenue Bonds. The bonds are payable solely from the net earnings of the municipal golf courses and are payable through 2011. The total principal and interest remaining to be paid on the bonds is $379,782, with annual payments expected to require 83 percent of net revenues. Principal and interest paid for the current year and net system revenues were $378,783 and $217,360, respectively.

The City has pledged future revenues derived from the operation of the Lincoln Parking System, net of operating and maintenance expenses, and amounts, if any, distributed by the State for street purposes to repay $19,510,000 in parking revenue bonds. Proceeds from the bonds provided financing for construction and improvements to the parking system, as well as refunding $8,755,000 of Series 1994 A & C parking revenue bonds. The bonds are payable solely from the net earnings of the Parking System and are payable through 2022. The total principal and interest remaining to be paid on the bonds is $11,394,813, with annual payments expected to require 50 percent of net revenues. Principal and interest paid for the current year and net system revenues were $1,993,519 and $3,528,791, respectively.

The City has pledged future revenues derived from the operation of the municipally owned solid waste management facilities, net of operating and maintenance expenses, to repay $4,000,000 in solid waste management revenue bonds. Proceeds from the bonds provided financing for improvements to the solid waste facilities. The bonds are payable solely from the net earnings of the Solid Waste System and are payable through 2021. The total principal and interest remaining to be paid on the bonds is $4,162,312, with annual payments expected to require 15 percent of net revenues. Principal and interest paid for the current year and net system revenues were $340,425 and $0, respectively.

(22) PUBLIC BUILDING COMMISSION

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

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

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

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

(23) JOINT ANTELOPE VALLEY AUTHORITY

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

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

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

For the year ended August 31, 2010, total assets of JAVA reached approximately $182 million, an increase of $3 million from the prior year. The City's equity interest increased by approximately $3 million to $153 million.

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

(24) JOINTLY GOVERNED ORGANIZATIONS

District Energy Corporation

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

The DEC Board of Directors, under a twenty-year management agreement, has appointed LES to supervise and manage the system and business affairs of DEC. LES is reimbursed for these management services based on the allocated actual costs of these services. LES also provides electric energy to DEC at an established interruptible commercial rate. The total amount of payments to LES for management, operations, and maintenance services was approximately $280,000 in 2009. The total amount of payments to LES for energy was approximately $84,000 in 2009.

Nebraska Utility Corporation

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

Operations commenced in January 2002. The NUCorp board of directors, under a twenty-year management agreement, appointed LES to supervise and manage the system and business affairs of NUCorp. LES is reimbursed for these management services based on the allocated actual costs of these services. LES also provides electric energy to NUCorp on an established rate schedule. The total payment to LES for management, operations, and maintenance services was approximately $89,000 in 2009. The total amount of payments to LES for energy was approximately $9.5 million in 2009.

(25) SUBSEQUENT EVENTS

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

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

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

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

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

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

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

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
August 31, 2010	$ 172,317	$ 195,206	$ 22,889	88.3 %	$ 34,233	66.9 %
August 31, 2009	177,526	187,292	9,766	94.8	33,450	29.2
August 31, 2008	179,390	179,376	(14)	100.0	32,266	(0.0)
August 31, 2007	171,264	169,587	(1,677)	101.0	30,546	(5.5)
August 31, 2006	157,527	161,583	4,056	97.5	30,724	13.2
August 31, 2005	145,730	151,978	6,248	95.9	29,029	21.5

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

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

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

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

APPENDIX C

WEST HAYMARKET JOINT PUBLIC AGENCY
ACCOUNTANT’S REPORT AND AUDITED FINANCIAL STATEMENTS

West Haymarket Joint Public Agency

(A Component Unit of the City of Lincoln, Nebraska)
Accountants' Report and Financial Statements

August 31, 2010

BKD LLP
CPAs & Advisors

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
August 31, 2010

Contents

Independent Accountants' Report on Financial Statements and Supplementary Information 1

Management's Discussion and Analysis 2

Financial Statements

Governmental Fund Balance Sheet / Statement of Net Assets 6

Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance / Statement of Activities 7

Notes to Financial Statements 8

Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* 15

Schedule of Findings and Reponses 17

BKD LLP
CPAs & Advisors

1248 "O" Street, Suite 1040
Lincoln, NE 68508-1461
402.473.7600 Fax 402.473.7698 www.bkd.com

Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Representatives
West Haymarket Joint Public Agency
City of Lincoln, Nebraska

We have audited the accompanying financial statements of the governmental activities and the major fund of the West Haymarket Joint Public Agency (the Agency) (a component unit of the City of Lincoln, Nebraska) as of and for the period from inception through August 31, 2010, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of West Haymarket Joint Public Agency, as of August 31, 2010, and the respective changes in financial position thereof for the period from inception through August 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2011 on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

BKD, LLP

February 23, 2011

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Management's Discussion and Analysis
As of and for the Period from Inception through August 31, 2010

As management of the West Haymarket Joint Public Agency (the Agency), we offer readers of the Agency's basic financial statements this narrative and analysis of the financial activities of the Agency as of and for the period from inception through August 31, 2010. We encourage readers to consider the information presented here in conjunction with additional information provided in the basic financial statements.

The West Haymarket Joint Public Agency was organized as a joint public agency on April 2, 2010, created by a Joint Public Agency Agreement entered into between the City of Lincoln, Nebraska and the Board of Regents of the University of Nebraska. The Agency is a component unit of the City of Lincoln, Nebraska.

Overview of Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements.

Government-Wide Financial Statements

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

The statement of net assets presents information on all of the Agency'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 Agency is improving or deteriorating.

The statement of activities presents information showing how the Agency's net assets changed during the year. 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 result in cash flow changes only in future fiscal periods.

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 Agency, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The Agency maintains one governmental fund - the Project Fund.

Fund Financial Statements - Continued

The Agency is not required by the Nebraska State Budget Act to adopt an annual budget, therefore, a budgetary comparison has not been provided in the basic financial statements. The significant expenditures to be made by the Agency will be for capital purposes, which are not appropriated on an annual basis.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the Agency's financial position. In the case of the West Haymarket Joint Public Agency, as of August 31, 2010, net assets were $1,595,744.

	August 31, 2010
Assets	
Equity in pooled cash and investments	$ 2,710,908
Interest receivable	1,302
Deferred charges	523,750
Capital assets	3,546,525
Total assets	$ 6,782,485
Liabilities	
Accounts payable	$ 2,182,907
Tax anticipation note	2,000,000
Interest payable	1,093
Due to other funds	2,741
Bond security deposit	1,000,000
Total liabilities	$ 5,186,741
Net Assets	
Invested in capital assets, net of related debt	$ 1,621,876
Unrestricted	(26,132)
Total net assets	$ 1,595,744

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Management's Discussion and Analysis
As of and for the Period from Inception through August 31, 2010

The tax anticipation note as of August 31, 2010, of $2,000,000 is the result of short-term borrowings in anticipation of the issuance of long-term bonds. The bond security deposit of $1,000,000 was a bid requirement of the September 2010 bond issue as disclosed in the notes to the financial statements.

	Period from Inception Through August 31, 2010
Revenues and transfers	
Interest income	$ 1,824
Transfers in	1,712,581
Total revenues and transfers	1,714,405
Expenses	
General government	65,068
Debt service	53,593
Total expenses	118,661
Change in Net Assets	1,595,744
Net Assets	
Beginning of period	-
End of period	$ 1,595,744

The amount of assets related to the West Haymarket project capitalized by the City of Lincoln prior to organization of the Agency totaled $1,712,581. These assets were subsequently transferred to the Agency upon its creation and are reported as transfers in during the period ended August 31, 2010.

Financial Analysis of the Agency's Funds

The Agency has one governmental fund, the Project Fund. The Project Fund is considered a major fund and is used to account for the Agency's general operations, construction, and debt activities. Activity during the period of operations from inception through August 31, 2010, resulted in a fund deficit of ($2,474,531), which is the result of financing costs and an initial short-term borrowing.

Debt Administration

At August 31, 2010, the Agency had a tax anticipation note outstanding in the amount of $2,000,000. Prior to year-end the Agency had sold, but not settled, $100,000,000 of bonds to be used to repay the short-term borrowing and to fund a portion of the Agency's construction costs. Additional information on the Agency's debt can be found in the notes to the financial statements.

Economic Factors and Next Year's Budget

Beginning January 1, 2011, occupation taxes will be imposed within the City of Lincoln at a rate of 2% on bar and restaurant revenues and a rate of 4% on car rental and hotel revenues. This tax revenue is generated to finance the activities of the Agency and is pledged to repayment of any outstanding Agency bonds.

Request for Information

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

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Governmental Fund Balance Sheet / Statement of Net Assets
August 31, 2010

	Project Fund	Adjustments (Note 1)	Statement of Net Assets
Assets			
Equity in pooled cash and investments	$ 2,710,908	$ -	$ 2,710,908
Interest receivable	1,302	-	1,302
Deferred charges	-	523,750	523,750
Capital assets	-	3,546,525	3,546,525
Total assets	2,712,210	4,070,275	6,782,485
Liabilities			
Accounts payable	2,182,907	-	2,182,907
Tax anticipation note	2,000,000	-	2,000,000
Interest payable	1,093	-	1,093
Due to other funds	2,741	-	2,741
Bond security deposit	1,000,000	-	1,000,000
Total liabilities	5,186,741	-	5,186,741
Fund Deficit/Net Assets			
Unreserved fund deficit	(2,474,531)		
Total liabilities and fund deficit	$ 2,712,210		
Invested in capital assets, net of related debt			1,621,876
Unrestricted			(26,132)
Total net assets		$ 4,070,275	$ 1,595,744

West Haymarket Joint Public Agency

(A Component Unit of the City of Lincoln, Nebraska)

Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance / Statement of Activities

Period from Inception through August 31, 2010

	Project Fund	Adjustments (Note 1)	Statement of Activities
Expenditures/Expenses			
General government	$ 65,068	$ -	$ 65,068
Debt service	577,343	(523,750)	53,593
Capital outlay	1,833,944	(1,833,944)	-
Total expenditures/expenses	2,476,355	(2,357,694)	118,661
General Revenues and Transfers			
Interest income	1,824	-	1,824
Transfers in	-	1,712,581	1,712,581
Total general revenues and transfers	1,824	1,712,581	1,714,405
Excess of expenditures over revenues	(2,474,531)		
Change in Net Assets			1,595,744
Fund Deficit/Net Assets Beginning of Period	-	-	-
End of Period	$ (2,474,531)	$ 4,070,275	$ 1,595,744

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Notes to Financial Statements
August 31, 2010

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The West Haymarket Joint Public Agency (the Agency) was organized as a joint public agency under the Nebraska Joint Public Agency Act on April 2, 2010, to facilitate land acquisition, relocation of existing businesses, environmental remediation, site preparation and the construction, equipping, furnishing and financing of public facilities including, but not limited to, a sports/entertainment arena, roads, streets, sidewalks, a pedestrian overpass, public plaza space, sanitary sewer mains, water mains, electric transmission lines, drainage systems, flood control, parking garages and surface parking lots (collectively considered the West Haymarket Development Project or Project) for the benefit of residents of the City of Lincoln, Nebraska (the City). The Agency was created pursuant to a Joint Public Agency Agreement entered into between the City and the Board of Regents of the University of Nebraska.

Reporting Entity

As required by accounting principles generally accepted in the United States of America, these basic financial statements present the financial activities of the Agency. The Agency follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining the governmental activities, organizations, and functions that should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The Agency is not financially accountable for any other organization. Under current GASB pronouncements, the Agency has been determined to be a component unit of the City of Lincoln, Nebraska – the primary government. As such, the Agency's financial results are included in the City of Lincoln, Nebraska's Comprehensive Annual Financial Report.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements (*i.e.*, the statement of net assets and the statement of activities) report information on all of the Agency's financial activities. Governmental activities are normally supported by taxes and intergovernmental revenue which are reported as general revenues.

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are presented using the total economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, the operating statement presents increases and decreases in net current assets and unreserved fund balance is a measure of available spendable resources. This means that only current liabilities are generally included on the governmental fund balance sheet.

The statement of net assets does not equal the governmental funds balance sheet at August 31, 2010, due to net capital assets, and debt issuance costs that are not payable from available spendable resources in the statement of net assets.

Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Measurable means the amount of the transaction can be determined; available means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. Revenues are considered to be available if collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred and is expected to be paid from available spendable resources.

Fund Accounting

The accounts of the Agency are organized on the basis of funds. The operations of the Project Fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Resources are allocated to and accounted for in the Project Fund based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The major fund presented in the accompanying basic financial statements is the Project Fund. The Project Fund is used to account for the Agency's general operational governmental activities.

Private sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Agency has elected not to follow private-sector guidance issued after November 30, 1989.

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Fund Accounting - Continued

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

Use of 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, expenses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Deposits and Investments

The Agency participates in a cash management pool managed by the City. The pool consists of bank deposits and investments. Cash balances in excess of current requirements are invested along with cash from other City funds and interest earned on these investments is allocated monthly to the various funds by the City Treasurer on a pro rata basis of using aggregate quarterly balances. The Agency's interest in the pool is shown as equity in pooled cash and investments in the statement of net assets. Fair value of the equity in the pool is the same as the value of the pool shares determined using the fair value of the pool's underlying investment portfolio.

State statutes require banks either to provide a bond or to pledge government securities to the City Treasurer in the amount of the City's deposits. The Agency has been allocated a portion of the City's pooled cash and investments. One or more of the financial institutions holding the City's cash accounts are participating in the Federal Deposit Insurance Corporation's (FDIC) Transaction Account Guarantee Program. Under the program, through December 31, 2010, all noninterest-bearing transaction accounts at these institutions are fully guaranteed by the FDIC for the entire amount in the account. Pursuant to legislation enacted in 2010, the FDIC will fully insure all noninterest-bearing transaction accounts beginning December 31, 2010 through December 31, 2012, at all FDIC institutions. 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 FDIC limits, are covered by collateral held in a Federal Reserve pledge account or by an agent for the City and thus no custodial credit risk exists. No legal opinion has been obtained regarding the enforceability of any of the collateral arrangements.

Deferred Charges

Deferred chargers are comprised of debt issuance costs.

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Capital Assets

Arena and infrastructure planning, design and construction costs are capitalized on the government-wide financial statements. At August 31, 2010, all costs incurred are considered construction in progress and are not depreciable.

Net Assets

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 debt attributable to the unspent proceeds is not included in the calculation of invested 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 through debt covenants), contributors or law or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

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

Adjustments Column

The adjustments column on the governmental fund balance sheet/statement of net assets represents the recording of capital assets and certain liabilities as required by GASB Statement No. 34.

The adjustments on the governmental fund balance sheet/statement of net assets is comprised of the following as of August 31, 2010:

Amounts reported for the Project Fund are different from the statement of net assets because of:	
Deferred charges	$ 523,750
Capital assets	3,546,525
Total adjustment amount	$ 4,070,275

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Notes to Financial Statements
August 31, 2010

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Adjustments Column - Continued

The adjustments column on the statement of governmental fund revenues, expenditures and changes in fund balance/statement of activities is comprised of the following for the period from inception through August 31, 2010:

Amounts reported for the Project Fund are different from the statement of activities because of:	
Debt issuance costs	$ 523,750
Capital outlay	1,833,944
Transfers in	1,712,581
Total adjustment amount	$ 4,070,275

Note 2: Capital Assets

As of August 31, 2010, the Agency has incurred planning and design costs related to infrastructure and the arena of $3,546,525. The current estimated project construction costs to be funded by the Agency are $340,000,000, with a fall of 2013 completion timeline.

Note 3: Tax and Bond Anticipation Notes

As of August 31, 2010, the Agency had outstanding debt issued through the City of Lincoln of $2,000,000, in the form of a General Obligation Tax Anticipation Note Series 2010A. The Note was due December 6, 2010 with interest at 0.60% plus 70% of LIBOR. The full faith and credit and the taxing powers of the City have been pledged for the payment of principal and interest on the note. The note was paid off with proceeds from a September 2010 bond issue as described in Note 6. The bond security deposit liability of $1,000,000 reflected on the fund balance sheet and statement of net assets, was a bid deposit requirement of the September 2010 bond issue.

At August 31, 2010, the Agency and City had a commitment from a national financial institution for interim construction financing through the issuance of up to $50,000,000 in a combination of General Obligation Tax and Bond Anticipation Notes. The commitment expired subsequent to year end and was not renewed.

Note 4: Risk Management

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Agency carries commercial insurance for risks of loss, including liability, property, errors and omissions, and workers' compensation.

Note 5: Related Party Transactions

The City provides certain administrative services to the Agency for which the Agency pays fees to the City. These fees amounted to approximately $13,000 for the period ended August 31, 2010. These charges are recorded as general government expenses in the statement of governmental fund revenues, expenditures and changes in fund balance and statement of activities.

Note 6: Subsequent Events

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

In December 2010, the Agency issued an additional $100,000,000 in General Obligation Facility Bonds, Series 2010B and C to provide a portion of the funds necessary to pay the costs of constructing, equipping, furnishing, and financing the development of the West Haymarket facilities. The full faith and credit and the taxing powers of the City are pledged for the payment of the principal of and interest on the bonds. The first series was $67,965,000 of taxable Build America Bonds, with the federal government providing a 35 percent subsidy for a portion of the interest payable on the bonds. The second series was $32,035,000 of taxable Economic Development Bonds, which have a federal subsidy of 45 percent for a portion of the interest payable on the bonds. Debt service interest payments begin June 2011. Debt service principal payments are scheduled annually beginning in 2020 at amounts that range from $2,440,000 to $5,855,000 with the final maturity December 2045. The two series have interest rates ranging from 4.00 to 6.75 percent prior to the federal subsidy. The federal subsidy reduces the true interest cost to 3.75 percent.

Note 6: Subsequent Events - Continued

Through January 31, 2011, the Agency has completed various land acquisitions of $2.3 million and entered into commitments under major design and construction contracts of approximately $21.9 million for the West Haymarket Development Project. Approximately $46 million has been placed by the Agency with an escrow agent for scheduled disbursements to BNSF railroad for relocation and construction activities.

BKD LLP
CPAs & Advisors

1248 "O" Street, Suite 1040
Lincoln, NE 68508-1461
402.473.7600 Fax 402.473.7698 www.bkd.com

Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed In Accordance with *Government Auditing Standards*

Board of Representatives
West Haymarket Joint Public Agency
City of Lincoln, Nebraska

We have audited the financial statements of the governmental activities and each major fund of the West Haymarket Joint Public Agency (the Agency) (a component unit of the City of Lincoln, Nebraska) as of and for the period from inception through August 31, 2010, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated February 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

We noted certain matters that we reported to the Agency's management in a separate letter dated February 23, 2011.

This report is intended solely for the information and use of the Board of Representatives, management and others within the Agency and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

February 23, 2011

West Haymarket Joint Public Agency
(A Component Unit of the City of Lincoln, Nebraska)
Schedule of Findings and Responses
August 31, 2010

Reference Number	Finding	Questioned Costs
	No matters are reportable	

APPENDIX D

SUMMARY OF PRINCIPAL DOCUMENTS

SUMMARY OF PRINCIPAL DOCUMENTS

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

DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“**Bond Resolution**” means the resolution adopted by the Agency on July 29, 2011, authorizing the issuance of the Bonds.

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

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

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

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

“**City**” means The City of Lincoln, Nebraska.

“City Bonds” means the not to exceed $25,000,000 principal amount of The City of Lincoln, Nebraska general obligation bonds authorized by the electors of the City at a special election in conjunction with the statewide primary election on May 11, 2010, to pay a portion of the costs of acquiring, constructing, equipping and furnishing a sports/entertainment arena and related facilities.

“**Clerk**” means the Clerk of the City.

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

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

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

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

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

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

"Costs of Construction" means, with respect to each Project:

(a) Obligations incurred for labor and material and to contractors, builders and materialmen in connection with such Project or any part thereof;

(b) The cost of acquiring rights, rights-of-way, easements or other interests in land as may be deemed necessary or convenient for the construction and operation of such Project;

(c) Taxes or other municipal or governmental charges lawfully levied or assessed against such Project or against any property acquired therefor, or payments required in lieu thereof, in each case during the period of construction, and premiums on insurance;

(d) Costs of installing utility services or connections thereto or relocation thereof;

(e) Costs of fidelity and indemnity bonds;

(f) Costs of fixed and moveable equipment;

(g) Expenses incurred in enforcing any remedy against a contractor or subcontractor in respect of default;

(h) Costs of site acquisition, preparation and landscaping;

(i) Fees and expenses of architects, engineers, consultants, surveyors, and inspectors and costs of issuance of the Bonds; and

(j) Any other costs directly incurred in the acquisition, purchase, construction, equipping, furnishing and completion of such Project.

"2011 Debt Service Account" means the account by that name in the Debt Service Fund, in which there shall be established such subaccounts as shall be determined by the Finance Director.

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

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

"**Defeasance Obligations**" means any of the following obligations:

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

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

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

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

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

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

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

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

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

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

"Facilities Agreement" means the Facilities Agreement, dated September 8, 2010, and as amended from time to time in accordance with its terms, between the City and the Agency, governing the acquisition, construction, equipping, furnishing, operation and management of the Projects, and the collection, deposit and application of the Revenues.

"**Finance Director**" means the Finance Director of the City, as the chief financial officer of the Agency.

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

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

"Infrastructure Project" means all of the Projects excluding the Arena Project.

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

"JPA Agreement" means the Joint Public Agency Agreement Creating the West Haymarket Joint Public Agency, dated as of April 1, 2010, between the City and the Regents, as amended and restated by the Amended and Restated Joint Public Agency Agreement of the West Haymarket Joint Public Agency, dated January 10, 2011.

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

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

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

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

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

(a) Bonds theretofore cancelled by the Paying Agent or delivered to the Paying Agent for cancellation;

(b) Bonds deemed to be paid in accordance with the defeasance provisions of the Resolution; and

(c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under the Resolution.

"**Participants**" means, for purposes of the JPA Agreement and Facilities Agreement, the City and the Regents.

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

"Project" means any one of the Projects.

"Projects" means the projects identified in **Exhibit A** to the Facilities Agreement, as it may be amended and supplemented from time to time, and at the date of the Official Statement includes the following: the constructing, equipping, furnishing and financing of certain public facilities in the West Haymarket Redevelopment Area of the City identified in **Exhibit A** to the Facilities Agreement, as it may be amended and supplemented from time to time, and at the date of the Official Statement includes the following: (a) the Arena, (b) roads, streets and sidewalks, (c) a pedestrian overpass, (d) public plaza space, (e) sanitary sewer mains, (f) water mains, (g) electric transmission lines, (h) drainage systems, (i) flood control, (j) parking garages, (k) surface parking lots, and (l) (1) the acquisition of land and relocation of existing businesses, and (2) such environmental remediation and site preparation as necessary and appropriate for the construction, equipping, furnishing and financing of the West Haymarket Facilities.

"Regents" means The Board of Regents of the University of Nebraska.

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

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

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

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

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

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

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

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

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

JPA AGREEMENT

Creation

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

Purpose

The purposes of the Agency are as follows:

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

(b) To exercise any power, privilege or authority to facilitate land acquisition, relocation of existing businesses, environmental remediation, site preparation and the construction, equipping, furnishing and financing public facilities, including but not limited to a sports/entertainment arena, roads, streets, sidewalks, pedestrian overpass, public plaza space, sanitary sewer mains, water mains, electric transmission lines, drainage systems, flood control, parking garages and surface parking lots and any other capital improvements or other projects pertaining to the redevelopment of the West Haymarket Redevelopment Area as shall be determined by the Board to be necessary, desirable, advisable or in the best interests of the Participants in the manner and as provided for by the Act. The West Haymarket Redevelopment Area is an area generally described in the JPA Agreement and shall include any interest in property belonging to or acquired by the Agency for purposes of the Project including both permanent and temporary interests, licenses and rights of entry inclusive of all public right of way and approaches within design-appropriate distances of intersections for turning lanes and other appropriate features and amenities.

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

(d) To sell, lease or otherwise dispose of excess land not needed for the Projects to the City, Regents or private entities for redevelopment of the City's West Haymarket Redevelopment Area and, in particular, a proposed mixed use redevelopment project consisting of a multi-story, 200-250 room hotel, including some first floor rental space and one or more buildings containing approximately 100,000 square feet of residential space, 100,000 square feet of office space, and 100,000 square feet of retail space.

Organization

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

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

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

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

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

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

Duration

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

Powers

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

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

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

(c) subject to any agreements with holders of outstanding bonds, to invest any funds held in reserve or sinking funds, or any funds not required for immediate disbursement, including the proceeds from the sale of any bonds, in such obligations, securities, and other investments as the Board shall deem proper;

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

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

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

Issuance of Bonds

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

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

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

Levy Authority

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

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

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

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

Acquiring and Holding Property

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

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

Budget

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

Withdrawal

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

Dissolution

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

Amendment

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

FACILITIES AGREEMENT

Provision of Facilities

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

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

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

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

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

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

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

Payment of Costs of Construction

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

Certificate of Acceptance

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

Dispute Resolution

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

Dedication of Infrastructure Project to the City; Improvements

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

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

City to Maintain, Operate and Manage the Arena Project

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

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

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

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

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

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

Insurance

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

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

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

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

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

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

Utilities and Other Impositions

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

Use of Projects

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

Issuance of Bonds; Debt Service

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

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

Establishment of Funds

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

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

(b) the West Haymarket Joint Public Agency Debt Service Fund (the **"Debt Service Fund"**) in which there shall be established an account for each series of Bonds.

(c) the West Haymarket Joint Public Agency Operation and Maintenance Fund (the **"Operation and Maintenance Fund"**).

(d) the West Haymarket Joint Public Agency Depreciation and Replacement Fund (the **"Depreciation and Replacement Fund"**).

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

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

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

Collection and Application of Revenues

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

Application of Money in Funds

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

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

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

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

Money in the Depreciation and Replacement Fund shall be expended and used by the Agency and the City, if no other funds are available therefor, (A) for the purpose of making emergency replacements and repairs in and to the Arena Project as may be necessary to keep the Arena Project in good repair and working order and to assure the continued effective and efficient operation thereof and (B) to pay the Operational Increment, to the extent that Revenues are insufficient for such purpose. After the Depreciation and Replacement Fund aggregates the Depreciation Fund

Requirement, no further payments into said Fund shall be required, but if the Agency or the City is ever required to expend a part of the money in the Depreciation and Replacement Fund for its authorized purposes and such expenditure reduces the amount of such Fund below the Depreciation Fund Requirement, then monthly payments into the Depreciation and Replacement Funds shall resume and continue until said Fund again aggregates the Depreciation Fund Requirement.

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

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

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

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

(C) Paying the cost of extending, enlarging or improving the Arena Project;

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

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

Money in the Infrastructure Account of the Surplus Fund may be expended and used for the following purposes as determined by the City and the Agency:

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

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

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

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

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

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

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

Transfer of Funds to Paying Agent

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

Annual Budget; Levy of Taxes

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

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

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

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

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

Annual Financial Audit

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

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

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

Term of Agreement

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

Amendment

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

BOND RESOLUTION

Security for and Payment of Bonds

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

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

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

Purchase of City Bonds

The Agency is authorized to use proceeds of the Bonds to purchase the City Bonds in an aggregate principal amount not to exceed $25,000,000. The City Bonds shall be purchased by the Agency pursuant to a Bond Purchase Agreement upon the terms and conditions set forth therein, in substantially the form attached to the Bond Resolution at such time as the Finance Director shall determine. The purchase price of the City Bonds shall be paid from money on deposit in the 2011 Construction Account upon written direction from the Finance Director.

Establishment of Funds; Deposit and Application of Money

The Resolution establishes a 2011 Construction Account in the Construction Fund created in the Facilities Agreement; a 2011 Debt Service Account; and the Rebate Fund.

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

(a) All accrued interest received from the sale of the Bonds shall be deposited in the 2011 Debt Service Account.

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

(c) The proceeds of the Bonds which remain after the deposits required by the paragraphs described above have been made shall be deposited in the 2011 Construction Account.

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

Money in the 2011 Construction Account shall be used by the Agency solely for the purpose of (1) paying all or a portion of the costs of one or more Projects in accordance with the plans and specifications therefor prepared by the Agency's architects approved by the City and the Agency and on file in the office of the Secretary, including any alterations in or amendments to such plans and specifications deemed advisable by the Agency's architects and approved by the City and the Agency, (2) purchasing the City Bonds, and (3) paying the costs and expenses of issuing the Bonds.

Except for money disbursed in accordance with the provisions of the Bond Resolution to pay the purchase price of the City Bonds, the Treasurer shall make a withdrawal from the 2011 Construction Account only upon a duly authorized and executed order of the Agency accompanied by a certificate executed by the Agency's architects stating that such payment is being made for a purpose within the scope of the Resolution and that the amount of such payment represents only the contract price of the property, equipment, labor, materials or service being paid for or, if such payment is not being made pursuant to an express contract, that such payment is not in excess of the reasonable value thereof. Nothing in the Resolution shall prevent the payment out of the 2011 Construction Account or another subaccount in the 2011 Construction Account of all costs and expenses incident to the issuance of the Bonds without a certificate from the Agency's architects.

On the date on which the construction of all of the Projects all or a portion of the costs of which have been paid from the proceeds of the Bonds has been completed (the **"Completion Date"**) as certified by the Agency's architects, any surplus remaining in any fund or account in the 2011 Construction Account shall be transferred to and deposited in the 2011 Debt Service Account in the Debt Service Fund.

The Agency shall make deposits into the 2011 Debt Service Account in the Debt Service Fund as provided in the Facilities Agreement.

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

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

Miscellaneous Provisions

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

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

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

MEMORANDUM OF UNDERSTANDING

General

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

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

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

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

“**Home Games**” means the home games of the Basketball Teams.

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

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

“**NCAA**” means the National Collegiate Athletic Association.

“University” means the Regents.

Arena Site Acquisition, Design, and Construction

The City will proceed with due diligence after the May 2011 election to acquire the Arena site and to perform site preparation work. The Arena will be constructed by the City or JPA and financed through the JPA.

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

> *Basketball Court*. The basketball court shall consist of a portable basketball playing surface with all customary related items including, without limitation, state-of-the-art basketball goals, back-up basketball goals, nets, lines and striping, timekeeper’s tables, scorekeeper’s tables, adequate signs and markers, home and visiting team benches, tables and chairs, adequate lighting, communications systems, telephone hook-up from each team’s bench on floor level to coaches and assistant coaches, radio and television booths;
>
> *Training room*, provided that Athletics will outfit the room with needed equipment at Athletics’ own cost and expense;
>
> *Locker rooms*. Two locker rooms for the exclusive use of the Men’s and Women’s Basketball Teams shall be provided. Two additional locker rooms for Visitor Teams, one locker room for officials, and one locker room for cheer squads shall be provided. Fit out in excess of that provided in the locker rooms for visitor teams will be paid for by Athletics at its own cost and expense;
>
> *Fiber Optic Connection to Husker Vision.* The City will install or cause to be installed a 48-strand fiber optic cable from the new Arena to Memorial Stadium’s Husker Vision control room; and
>
> *Seating.* The seating shall include suites, loge seating, club seating and floor seating.

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

Parking

The Arena Parking Improvements will be constructed in accordance with the approved drawings and specifications and construction documents. The Arena parking improvements are envisioned to contain approximately 550 parking spaces in the Arena parking garage, approximately 60 parking spaces in the Arena surface parking, and approximately 1,500 parking spaces in the northwest Arena parking lot. The City will provide or cause to be provided to Athletics a reasonable number of up to 100 parking spaces in the Arena parking improvements, approximately 40 of which will be in the Arena surface parking for student-athletes, coaching staff, support staff, and officials for all Home Games, practice and other Athletics sponsored intercollegiate athletic events at no cost in accordance with the applicable NCAA requirements.

Completion Date

It is the intent of the City and University that the Arena and the Arena Parking Improvements be completed and available for use by September 1, 2013. The parties agree that timely completion of the Leased Improvements in the Arena is critically important and that any anticipated delays or other circumstances jeopardizing the intended completion date shall be timely provided to the other party as soon as practical so that any preventive or remedial measures can be reasonably deployed.

Lease/Operating Agreement

Athletics agrees to lease from the City the Leased Improvements for Home Games and other incidental uses by the Basketball Teams on the terms set forth below:

Term. Athletics' Lease of the Leased Improvements will have an initial term of thirty (30) years which is anticipated to begin on September 1, 2013, with the actual usage dates of the Leased Improvements to be determined on an annual basis. At the end of the initial term and each successive extension, the University will have the right to extend the term for three (3) additional five-year periods. The initial term together with any extensions is referred to in the MOU as the "**Lease Term**." The parties agree that the Lease/Operating Agreement shall include provisions for a funded capital replacement/enhancement program.

Use by Athletics. During the Lease Term, the Basketball Teams shall be considered the Arena's primary tenant and as such Athletics shall be accorded the privilege of securing the dates it needs for all pre-season and regular season Home Games of the Basketball Teams between October 1 and March 15 (**"Basketball Season"**) of each year of the Lease Term before any dates within the Basketball Season are offered to any other entity. Athletics shall also be accorded the privilege of securing the date before each Home Game for practice by the Basketball Teams and visiting teams. Athletics will use its best efforts to play a minimum of 30 Home Games (15 men's and 15 women's) in the Arena during each Basketball Season. During the Basketball Season, Athletics shall have the right to use the Arena for practice on any other dates the Arena is not scheduled or being prepared for another event subject to City approval which shall not unreasonably be withheld. Athletics shall quit and surrender the Basketball Space to the City at the end of each practice and/or Home Game in the same condition as at the date and time of the commencement of the practice and/or Home Games, ordinary wear and tear excepted. The City will have the right to lease the Arena to other entities on the dates when the Basketball Teams are not scheduled to practice or play Home Games in the Arena provided that at the end of such other event the Arena is again set up for use by the Basketball Teams for practice or Home Games. Notwithstanding the above, the City will use commercially reasonable efforts to work with Athletics to hold use of the Arena open during the last two weeks of March for basketball post-season play at a mutually agreed upon rental rate.

Rent. Athletics agrees to pay the City an annual rental (**"Rent"**) of Seven Hundred Fifty Thousand and 00/100 Dollars ($750,000.00). The Rent shall be increased for inflation on an annual basis beginning in September of 2014 and in each succeeding year utilizing the Consumer Price Index for All Urban Consumers ("**CPI-U**") over the last 12 months before seasonal adjustment as reported for the month the adjustment is made by the U.S. Bureau of Labor Statistics (or its successor). The Rent shall be payable in one installment following the Basketball Season but not later than May 1 of each year of the Lease Term. The Rent includes all costs of utilities, janitorial services and routine maintenance incurred and attributable to Athletics' exclusive use of the Leased Improvements but excludes home game expenses as agreed in the Lease/Operating Agreement. Upon reasonable notice to the City, the University may schedule use of the Arena for other University events up to fifteen days per year without paying additional rent. Such use shall be restricted to dates the Arena is not scheduled or being prepared for another event and shall be subject to the University paying the City an amount intended to approximate all actual and direct costs and expenses incurred or paid by or on behalf of the City to provide incremental costs not included in rent related to the event for customary utilities, janitorial, police, traffic control, fire prevention, directional signage, and other similar services for the event not to exceed the lowest rates customarily charged for other Arena users for similar events. University, at its own cost and expense, shall employ all other support staff needed by the University in order to hold the event.

Credit Against Rent. An annual amount equal to: all turnback sales tax receipts the City receives from the sale of basketball tickets for Home Games (includes 70% of the state sales tax), pursuant to the Convention Center Facility Financing Assistance Act (Neb. Rev. Stat. §§13-2601 to 13-2612); the first dollar of all City imposed ticket surcharges on basketball tickets sold for Home Games during each Basketball Season; and a make-whole provision for lost concessions revenues in an amount of $300,000 shall first be applied as a credit toward Athletics Rent and then to other Athletics Home Game expenses. The City agrees to renegotiate the make-whole provision for concessions in the event University eliminates or modifies its restrictions on the sale of alcohol at Home Games and other University events held in the Arena. The concessions make whole annual amount shall be increased for inflation on an annual basis beginning in September of 2014 and in each succeeding year utilizing the CPI-U over the last 12 months before seasonal adjustment as reported for the month the adjustment is made by the U.S. Bureau of Labor Statistics (or its successor).

Home Games

City Home Game Staffing. The City will be responsible for providing customary utilities, janitorial, police, traffic control, fire prevention, directional signage and other similar services for events at the Arena. Athletics will retain operational control of the Home Games for purposes of NCAA compliance and otherwise. Home Game related services for concessions and otherwise will be provided and staffed according to the Operating Agreement.

Athletics Home Game Staffing. Athletics, at its cost and expense, shall employ the officials and all event support staff, including but not limited to statisticians, timekeepers, scorekeepers, public address announcers, runners and other event and operations related staffing.

Basketball Space. The City shall provide or cause to be provided for each Home Game the leased Basketball Space in a first class condition.

Seating

There will be suites, loge, club and floor seating. Suites and loge seating constitutes "**Premium Seating**."

Suites Seating. It is anticipated the Arena will initially have 36 out of a possible 48 suites of which four (4) will be designated as UNL Suites, two (2) will be designated as City Suites, and the remaining 30 suites will be designated as Private Suites all as approved in the construction documents. No license fee will be charged for the UNL Suites or City Suites. The City will market and sell all of the Private Suites, retaining the related Suite revenues, provided that Athletics will be provided and retain sole control of the 4 UNL Suites from the initial phase of construction to market, sell or use as determined by Athletics. In the event the City decides to increase the number of suites in excess of 36, the City shall offer the University the option to build up to one-half of the increased number of suites and to market, sell or use such suites as determined by Athletics. If the University does not exercise its option within 180 days from receipt of the same, unless otherwise agreed by the Parties, the City may proceed to construct the suites and market, sell or use such suites as determined by the City. Subject to certain terms and conditions, University grants City the exclusive right to market, license and assign the Private Suites to individuals and entities in connection therewith.

Loge Seating. The City will market and sell all of the Loge Seating, retaining the related Loge Seating revenues provided that Athletics will be provided an amount in return equal to 50% of the total net revenues for the Loge Seating. Subject to certain limitations, University grants City the exclusive right to market, license and assign the Loge Seating to individuals and entities in connection therewith.

Club and Floor Seating. The Arena will have Club Seating and Floor Seating (front row or courtside) as approved in the Construction Documents consisting of approximately 1,500 seats. The parties understand and agree that the number of Club Seats and Floor Seats will be determined by mutual agreement as provided in the Lease/Operating Agreement between the Parties. Athletics will market and sell all of the Club and Floor Seating for Home Games, retaining the related Club and Floor Seating revenues, provided that the City will market and sell all of the Club and Floor Seating for non-university events and retain the related Club and Floor Seating revenue. Combined sales for both Home Games and non-University events shall be split pro-rata unless otherwise agreed in the Lease/Operating Agreement. Subject to certain terms and conditions, University and City grant to each other a reciprocal right to market, license and assign Club and Floor seats to individuals and entities for non-University events in combination with Home Games.

Seating Assignments. Notwithstanding the City's exclusive right to market, license and assign Suites Seating and Loge Seating, the City agrees to consult with Athletics on assignment of all seats to Home Games. Athletics has exclusive rights to assign seating for the Club Seating, Floor Seating and non-premium seats available to its students and fans for Home Games. Both parties shall cooperate with one another in bundling packages for combined seating at all Arena events. Athletics agrees to allow City to sell suites and loges at a market rate to be determined by City and its consultants.

University Ticket Sales

Sales. Athletics shall have the right to set ticket prices for all Home Games and other Athletics-sponsored intercollegiate events held in the Arena. Athletics shall, at its own cost and expense, perform all duties for the sale of tickets, including operation of a box office at the Arena for the sale of single game tickets. City will provide Athletics with access to the City's box office and equipment. Athletics shall be entitled to receive and retain all revenues from all season and single game ticket sales. City reserves the right to fix the prices for non-University ticket sales and sell such tickets for all other uses of the Arena. City shall be entitled to receive and retain all revenues from the other uses of the Arena. Athletics and City agree to work together to resolve any problems which may arise regarding the joint use of the City's box office and equipment.

Surcharge. City will initially assess the $1.00 surcharge per ticket sold on all events in the Arena including Home Games. In the case of season tickets, the $1.00 surcharge will be assessed separately on each Home Game during the season. If the City determines that the finances of the Arena make it necessary to increase the ticket surcharge to all events in the Arena, Athletics agrees to permit a temporary additional surcharge to apply to tickets for Home Games with limitations set forth in the MOU. The Lease/Operating Agreement shall provide the process for determining financial need and the basis for allocating, beginning and ending any temporary additional surcharge. All amounts collected from any City surcharge will be remitted to the City, and except for the first dollar of City-imposed surcharges on Home Games, shall be applied toward payment of the principal, redemption price and interest due in connection with the Debt Service Fund. Athletics will collect such surcharge and any other ticket surcharge or user fee imposed by another governmental agency from the Home Game ticket purchaser and pay the entire amount of such surcharge to the City or other assessing governmental agency as required by applicable law. Except as it relates to the Surcharge, Athletics shall be responsible for all sales tax, use tax, or other tax associated with the sale of tickets or use of the Arena for all Home Games or other Athletics use of the Arena.

Naming Rights

The City reserves and shall have the exclusive right to sell, license, or grant the right to name the Arena and identify such name on the Arena concourses, the entrances to the Arena, the exterior Arena roof, the exterior of the Arena or any other areas on, in, upon or immediately around the Arena except for the basketball court floor and specific areas leased for the exclusive use of Athletics (e.g., Husker Vision space and locker rooms for the Basketball Teams). The University is hereby granted the exclusive right to sell, license or grant the right to name the basketball court floor and the locker rooms for the Basketball Teams. The City and University will retain all revenue arising from the sale, lease, or licensing of their respective naming rights. The parties agree to support and cooperate with each other in the sale and promotion of naming rights, and both parties grant a reciprocal right of reasonable consent and approval to the exercise and modification of naming rights taking into consideration the co-existing naming and related terms and conditions in existing and proposed naming agreements.

Arena Signage

Consistent with the Multi-Media Agreement, the City reserves and shall have the exclusive right to seek, negotiate and obtain agreements regarding the right to temporary and/or permanent signage inside or outside the Arena for non-University events and to retain the revenue therefrom**.** The City further reserves the right to advertise and promote future City events during Home Games and other University events consistent with the Multi-Media Agreement. Athletics will provide reasonable exposure via electronic means and PA announcements for non-University events before Home Games and once during half-time of Home Games. Athletics will prohibit its MM-Agency from selling sponsorships that include food or drink give-aways at Home Games except as coordinated and agreed with the City and their concessionaire.

Concessions

The City itself, or through its concessionaires, shall operate all food and beverage sales at the Arena including Home Games and shall be entitled to retain all net revenues received therefrom. City agrees that no alcohol sales shall be allowed during UNL Basketball Games and other UNL events. City agrees to include as part of its concessions during Home Games, an assortment of affordable foods. The City agrees to provide, at cost, concession basic food and beverage service to the locker rooms of the Basketball Teams and visiting teams at Home Games.

University Broadcast Rights

University will have the exclusive right to sell or license the television, radio, motion picture, internet or other rights to the broadcasting, filming or other recording (**"Broadcast Rights"**) of all Home Games held in the Arena and to retain all revenue from such sale or license of Broadcast Rights.

Branding

The Arena will provide appropriate locations for the University to identify the Basketball Teams (**"Branding"**). City will not take any action that is inconsistent with the Branding of the Arena for the Basketball Teams. City will permit University to display historical banners in the Arena that recognize the historical accomplishments of the Basketball Teams, individuals and conference affiliation.

Sale of University Merchandise

The University, at its expense, shall have the exclusive rights to sell or at its option, contract with a third party to sell University merchandise in and around the Arena during Home Games in a manner similar to the halo policy for University football games at Memorial Stadium. The cost of all merchandise inventory and merchandise sold shall be at the University's expense.

Operation

The City, or its designee, will operate and maintain the Arena, Basketball Space and Arena Parking Improvements in a manner consistent with arenas and parking improvements of similar age, size and design, ordinary wear and tear excepted. The City will be entitled to establish reasonable parking fees for the parking garage and parking lot provided that such parking fees established for Arena events will be commercially reasonable.

Maintenance

In consideration of the Rent, the City will operate and maintain the Arena and Leased Improvements so as to cause it to remain in a condition comparable to that of other multipurpose sports and entertainment facilities of similar size, design and age, ordinary wear and tear excepted. The City will be responsible for all operating, maintenance, and capital repair expenses related to the Arena and it will be operated in a manner substantially similar to and consistent with other similarly situated multipurpose sports and entertainment arenas suitable for Division I basketball programs.

Contingencies

The performance of the MOU is contingent upon the following:

a. Execution of a Joint Facilities Agreement between Union Pacific Railroad Company (UP) and BNSF Railway Company (BNSF) with terms and conditions acceptable to the City;

b. Execution of a definitive agreement between UP and the City for the West Haymarket Project;

c. Execution of a definitive agreement between BNSF and the City for the West Haymarket Project; and

d. Execution of a definitive Lease/Operating Agreement between University and City for lease of the Leased Improvements.

Definitive Final Agreement

The parties acknowledge that the terms of the MOU have been agreed to as the principal terms for the design, development and construction of the Arena and lease of the Basketball Space to University. Based upon the MOU, the parties shall in good faith proceed with expedience to negotiate and enter into a definitive final agreement after the affirmative vote of the voters of the City on the May, 2010 ballot proposition relating to the Arena, which shall conform to the provisions set forth in the MOU and provide such other matters as are consistent with and customary for a transaction of this type.

Mutual Cooperation

The successful design, development and construction of the Arena and related activities are dependent upon the continued cooperation and good faith of the University and City. Every covenant, agreement, or restriction in the MOU stated shall be construed in recognition of this interdependence and need for continued mutual cooperation. Athletics retains general responsibility for event management related to Athletics use of the Leased Improvements in recognition of applicable NCAA requirements and that Home Games are part of the Branding and larger mission of the University related to intercollegiate athletics. Athletics and the City or the City's contractor specifically agree to mutual cooperation in Branding, and other marketing including cooperative efforts to sell sponsorships, naming rights, ticketing, premium seating and advertising to optimize revenues and avoid unintended consequences for all parties.

Termination of MOU

In addition, either party may terminate the MOU prior to the City's entering into a definitive agreement with BNSF for acquisition of the Arena Site.

* * * * *

APPENDIX E

PROJECTED CASH FLOWS

WEST HAYMARKET JOINT PUBLIC AGENCY-BASIS OF PROJECTIONS

The Agency does not as a matter of course make public projections as to future revenues and expenses, operating income, or other results. However, the City's management has prepared the projected financial information set in this APPENDIX E to present the projected revenues and expenses related to the Projects. The accompanying projected financial information was not prepared with a view toward public disclosure or with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to projected financial information, but, in the view of the City's management, was prepared on a reasonable basis, reflects the best currently available estimates and judgments and presents, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of the Projects. However, this information is not fact and should not be relied upon as necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the projected financial information.

Neither the City's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the projected financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the projected financial information.

The assumptions and estimates underlying the projected financial information are inherently uncertain and, while considered reasonable by the management of the City as of the date hereof, are subject to a wide variety of significant business, economic, and competitive risks and uncertainties that could cause actual results to differ materially from those contained in the prospective financial information. Accordingly, there can be no assurance that the projected results are indicative of the future performance of the operations of the Projects or that actual results will not differ materially from those presented in the projected financial information. The inclusion of projected financial information in this Official Statement should not be regarded as a representation by any person that the results contained in the projected financial information will be achieved.

The City does not generally publish its business plans and strategies or make external disclosures of its anticipated financial position or results of operations. Accordingly, the projections include only projects approved by both the City and the Agency. Neither the City nor the Agency intends to update or otherwise revise the projected financial information to reflect circumstances existing since their preparation or to reflect the occurrence of unanticipated events, even in the event that any or all of the underlying assumptions are shown to be in error. Furthermore, neither the City nor the Agency intends to update or revise the projected financial information to reflect changes in general economic or industry conditions.

West Haymarket Joint Public Agency
Projected Cash Flows

	footnote	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Receipts:													
Turn back tax	1	1,690,933	1,724,752	1,759,247	1,794,432	1,830,320	1,866,927	1,904,265	1,942,351	1,981,198	2,020,821	2,061,238	2,102,463
Occupation taxes	2	10,518,693	10,729,067	10,943,648	11,162,521	11,385,772	11,613,487	11,845,757	12,082,672	12,324,325	12,570,812	12,822,228	13,078,673
Arena revenues	3	5,751,069	5,866,090	5,983,412	6,103,080	6,225,142	6,349,645	6,476,638	6,606,171	6,738,294	6,873,060	7,010,521	7,150,731
Parking Revenues	4	1,160,479	1,230,901	1,303,629	1,378,727	1,456,258	1,480,164	1,504,391	1,528,942	1,553,818	1,579,020	1,604,550	1,630,409
TIF and Developer Contributions	5	1,902,859	1,908,859	1,915,039	1,921,404	1,927,961	1,934,714	1,941,669	1,948,834	1,956,213	1,963,814	1,971,642	1,979,706
Interest on cash balances	6	192,820	184,310	191,390	214,822	255,003	312,472	384,891	466,816	432,866	406,589	388,287	378,274
Total		21,216,853	21,643,979	22,096,365	22,574,986	23,080,456	23,557,409	24,057,611	24,575,785	24,986,714	25,414,116	25,858,466	26,320,256
Expenditures:													
Debt Service - JPA Debt	7	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	21,285,737	21,285,737	21,285,737	21,285,737	21,285,737
City of Lincoln - General Obligation (Turn back)	8	1,702,859	1,702,859	1,702,859	1,702,859	1,702,859	1,702,859	1,702,859	1,702,859	1,702,859	1,702,859	1,702,859	1,702,859
Arena operating subsidy	9	1,525,829	1,571,604	1,618,752	1,667,315	1,717,334	1,768,854	1,821,920	1,876,577	1,932,875	1,990,861	2,050,587	2,112,104
City Administrative Expenses	10	200,000	206,000	212,180	218,545	225,102	231,855	238,810	245,975	253,354	260,955	268,783	276,847
Total		18,428,688	18,480,463	18,533,791	18,588,719	18,645,295	18,703,568	18,763,589	25,111,148	25,174,825	25,240,412	25,307,966	25,377,547
Net Cash Flow		2,788,165	3,163,516	3,562,574	3,986,267	4,435,161	4,853,841	5,294,021	(535,363)	(188,111)	173,704	550,500	942,709
Beginning of Year Cash	11	9,640,976	12,429,141	15,592,657	19,155,231	23,141,498	27,576,659	32,430,500	37,724,521	37,189,158	37,001,047	37,174,751	37,725,251

Footnotes:

1 The turn back tax represents sales taxes received by the City from the State of Nebraska for eligible facilities as specified in Nebraska statutes

2 The City has enacted a 2% Bar and Restaurant tax and 4% hotel and car rental tax. These taxes are citywide and took effect January 1, 2011 and are assumed to increase 2% annually
Revenues for the first 6 months of 2011 are exceeding estimates by approximately $1 million on an annualized basis.

3 Arena revenues consist of revenues from the sale of advertising, naming rights, and premium seating (suites, loge and club seating) allocated to the Agency.

4 Parking revenues consist of receipts from the rental of 4,000 surface and garage parking spaces.

5 TIF and Developer Contributions consist of tax increment financing receipts and developer payment to the City based on the redevelopment agreement with the developer

6 Interest on cash balances assumes a 2% annual rate based on the prior year's ending balance.

7 Assumes a total of $300 million JPA debt issued at an average borrowing cost of 5%. Debt will be amortized over 35 years with interest only payments through 2020.
The average borrowing rate for $200 million of the financing completed in 2010 was approximately 3.5%.

8 Voter approve GO debt to be issue by the City at an average borrowing cost of 5% amortized over 25 years

9 Arena operating subsidy represents a subsidy to the arena operator similar to the current arrangement the City has with the Pershing Auditorium operator, and is assumed to increase 3% annually

10 City Administrative Expenses include such items as audit and legal expenses and are assumed to increase 3% annually.

11 2014 Beginning Cash based on receipt of occupation taxes for years 2011 through 2013 to the extent not needed for debt service during that period

APPENDIX F

FORM OF OPINION OF BOND COUNSEL

[FORM OF OPINION OF BOND COUNSEL]

August 24, 2011

West Haymarket Joint Public Agency
Lincoln, Nebraska

Merrill Lynch, Pierce, Fenner & Smith, Inc.
New York, New York

Re: $100,000,000 Lincoln, Nebraska West Haymarket Joint Public Agency General Obligation Facility Bonds, Series 2011

Ladies and Gentlemen:

We have acted as bond counsel to the West Haymarket Joint Public Agency (the "Agency") in connection with the issuance of the above-captioned bonds (the "Bonds"). In this capacity, we have examined the law and the certified proceedings, certifications and other documents as we deem necessary to render this opinion.

The Bonds are issued pursuant to the provisions of: (a) the Nebraska Joint Public Agency Act (Chapter 13, Article 25, Reissue Revised Statutes of Nebraska, as amended, the "Act"), (b) the Joint Public Agency Agreement Creating the West Haymarket Joint Public Agency, dated as of April 1, 2010, as amended and restated by the Amended and Restated Joint Public Agency Agreement of the West Haymarket Joint Public Agency, dated January 10, 2011 (collectively, the "JPA Agreement"), between The City of Lincoln, Nebraska (the "City") and The Board of Regents of the University of Nebraska (the "Regents"), (c) the Bond Resolution, adopted July 29, 2011 (the "Resolution"), by the Agency and (d) the Facilities Agreement, dated September 8, 2010 (as amended and supplemented from time to time, the "Facilities Agreement"), between the City and the Agency. Capitalized terms used and not otherwise defined in this opinion have the meanings assigned in the Resolution and the Facilities Agreement.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

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

1. The Agency is duly created and validly existing under the Act as a joint public agency and a political subdivision of the State of Nebraska (the "State") with the corporate power to adopt the Resolution

and execute and deliver the Facilities Agreement, perform the agreements on its part contained therein, and issue the Bonds.

2. The Resolution has been duly adopted by the Agency and the Facilities Agreement has been duly authorized, executed and delivered by the Agency and each constitutes a valid and legally binding obligation of the Agency enforceable upon the Agency to the extent permitted by law.

3. The Bonds have been duly authorized, executed, and delivered by the Agency and are valid and binding obligations of the Agency payable from the sources provided therefor in the Resolution and the Facilities Agreement, including, but not limited to, the proceeds of taxes levied by the Agency pursuant to the provisions of the Act and the JPA Agreement.

4. The interest on the Bonds (including any original issue discount properly allocable to an owner thereof) (a) is excludable from gross income for federal income tax purposes, (b) is exempt from income taxation by the State of Nebraska, and (c) is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations and is not taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinions set forth in this paragraph are subject to the condition that the Agency and the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Agency and the City have covenanted to comply with all of these requirements. Failure to comply with certain of these requirements may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Bonds have not been designated as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code.

We express no opinion regarding (a) the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement), or (b) federal or state tax consequences arising with respect to the Bonds, other than as expressly set forth in this opinion.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Resolution and the Facilities Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

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

Very truly yours,

APPENDIX G

BOOK-ENTRY SYSTEM

BOOK-ENTRY SYSTEM

General. The Bonds are available in book-entry only form. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds. Ownership interests in the Bonds will be available to purchasers only through a book-entry system (the **"Book-Entry System"**) maintained by The Depository Trust Company (**"DTC"**), New York, New York.

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

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

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

Purchases of Ownership Interests. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (**"Beneficial Owner"**) is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

Discontinuation of Book-Entry System. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Agency or the Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Agency may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed, registered in the name of

DTC's partnership nominee, Cede & Co. (or such other name as may be requested by an authorized representative of DTC), and delivered to DTC (or a successor securities depository), to be held by it as securities depository for Direct Participants. If, however, the system of book-entry-only transfers has been discontinued and a Direct Participant has elected to withdraw its Bonds from DTC (or such successor securities depository), Bond certificates may be delivered to Beneficial Owners in the manner described in the Resolution.