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**TRANSCRIPT OF PROCEEDINGS**

**AUTHORIZING THE ISSUANCE**

**OF**

**\$64,390,000**

**LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY  
CORRECTIONAL FACILITY BONDS  
SERIES 2009**

**DATED: date of delivery  
(February 12, 2009)**

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**Legal Opinion**

**Gilmore & Bell, P.C.  
Lincoln, Nebraska**

**LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY  
CORRECTIONAL FACILITY BONDS  
SERIES 2009**

**Dated: date of delivery  
(February 12, 2009)**

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Date and Time of Closing:	February 12, 2009 at 9:00 a.m.
Place of Closing:	Offices of Gilmore & Bell, P.C. Wells Fargo Center 1248 "O" Street, Suite 710 Lincoln, Nebraska

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## **I. CLOSING PARTICIPANTS**

Closing took place on February 12, 2009, at 9:00 a.m. in the offices of Gilmore & Bell, P.C., Wells Fargo Center, 1248 "O" Street, Suite 710, Lincoln, Nebraska, and the following persons participated:

### **LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY – Agency**

Bernie Heier, Chair  
Robin Eschliman, Vice Chair  
Ray Stevens, Secretary/Treasurer  
Chris Beutler, Member

### **THE COUNTY OF LANCASTER, NEBRASKA – County**

Bernie Heier, Chair  
Dan Nolte, Clerk  
Gary Lacey, County Attorney  
Tom Fox, Deputy County Attorney

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

Chris Beutler, Mayor  
Don Herz, Finance Director  
Joan Ross, Clerk  
John V. Hendry, City Attorney

### **AMERITAS INVESTMENT CORP. – Underwriter**

Scott Keene, Vice President

### **WELLS FARGO BANK, NATIONAL ASSOCIATION – Paying Agent**

Chad W. Shirk, Vice President

### **GILMORE & BELL, P.C. – Bond Counsel**

II. BASIC DOCUMENTS

Document No.

Certificate of Secretary of State with the following items attached: ..... 1

- A. Statement of Creation
- B. Certified Resolution of the County
- C. Certified Resolution of the City
- D. Affidavit of Publication of the County Resolution
- E. Affidavit of Publication of the City Resolution

Certified Copy of Joint Public Agency Agreement.....2

Certified Copy of Bond Resolution and Amendment to Bond Resolution .....3

- A. Bond Resolution adopted December 30, 2008
- B. Amendment to Bond Resolution adopted January 26, 2009

Certificate of Chair Fixing and Establishing Terms .....4

Certified Copies of the following:.....5

- A. Facilities Agreement
- B. Site Lease

Preliminary Official Statement.....6

Official Statement .....7

Certificate as to Rejection of Bids, with the following attached: .....8

- A. Notice of Sale
- B. Auction report

Bond Purchase Agreement.....9

Bond Registrar and Paying Agent Agreement .....10

Continuing Disclosure Certificate.....11

Federal Tax Certificate with the following items attached: .....12

- A. Debt Service Schedule and Proof of Bond Yield
- B. IRS Form 8038-G
- C. Description of Property Comprising the Financed Facility

Specimen Bonds .....13

**III. AGENCY DOCUMENTS**

Affidavit of Publication of Notice of Intention to Issue Bonds ..... 14

Closing Certificate with the following items attached: ..... 15

- A. Notices of Meetings held September 15, 2008, December 30, 2008, January 26, 2009, and February 10, 2009
- B. Minutes of Meetings held September 15, 2008, December 30, 2008, January 26, 2009, and February 10, 2009
- C. Bylaws

Authentication Order..... 16

**IV. COUNTY DOCUMENT**

Closing Certificate with the following items attached:..... 17

- A. Notices of September 9, 2008, December 9, 2008, and February 10, 2009 Meetings
- B. Minutes of September 9, 2008, December 9, 2008, and February 10, 2009 Meetings
- C. Resolution Authorizing Joint Public Agency Agreement
- D. Resolution Approving Issuance of Bonds

**V. CITY DOCUMENT**

Closing Certificate with the following items attached:..... 18

- A. Notices of September 8 and December 8, 2008 Meetings
- B. Minutes of September 8 and December 8, 2008 Meetings
- C. Resolution Authorizing Joint Public Agency Agreement
- D. Resolution Approving Issuance of Bonds

**VI. UNDERWRITER DOCUMENTS**

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**VII. PAYING AGENT DOCUMENT**

Closing Certificate with the following items attached:..... 21

- A. Authorization to Act in a Fiduciary Capacity
- B. Authorized Officers

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**IX. OPINIONS OF COUNSEL**

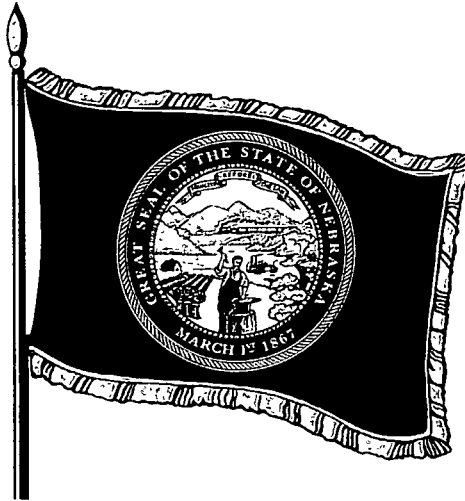
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Opinion of County Attorney.....27

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STATE OF

NEBRASKA



United States of America, } ss.  
State of Nebraska

Department of State  
Lincoln, Nebraska

I, John A. Gale, Secretary of State of Nebraska do hereby certify;

**LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY**

was duly created by agreement among the following public agencies:

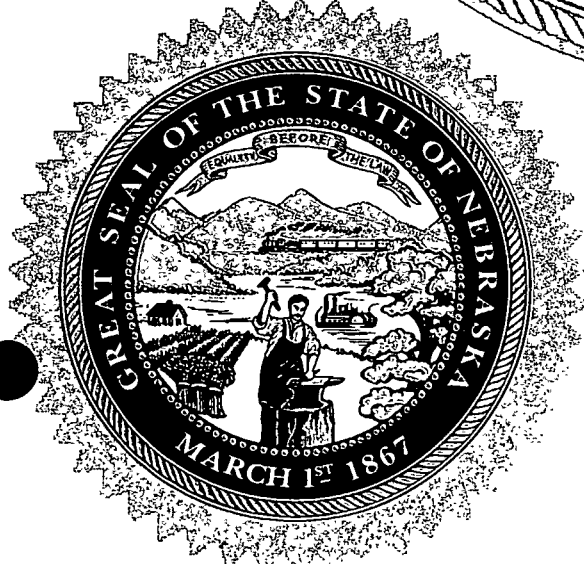
**THE COUNTY OF LANCASTER, NEBRASKA  
THE CITY OF LINCOLN, NEBRASKA**

Pursuant to the Joint Public Agency Act under the laws of this state on September 9, 2008, and do further certify that no biennial reports or biennial fees assessed are delinquent, articles of dissolution have not been filed, and said Agency is in existence as of the date of this certificate.

In Testimony Whereof, I have hereunto set my hand and affixed the Great Seal of the State of Nebraska on September 9, 2008.

*John A. Gale*  
SECRETARY OF STATE

This certificate is not to be construed as an endorsement, recommendation, or notice of approval of the entity's financial condition or business activities and practices.



**STATEMENT OF CREATION  
OF  
LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY**

The undersigned, being all of the representatives duly appointed pursuant to Section 13-2509(2), Reissue Revised Statutes of Nebraska, as amended, to represent the proposed participating public agencies hereby submit to the Secretary of State pursuant to Section 13-2510, Reissue Revised Statutes of Nebraska, as amended, the following statement of creation of a Joint Public Agency.

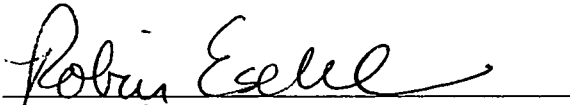
1. The names of the proposed participating public agencies are:
  - (a) The County of Lancaster, Nebraska; and
  - (b) The City of Lincoln, Nebraska.
2. Attached hereto and incorporated herein by reference are certified copies of the resolutions of necessity of each proposed participating public agency.
3. Notice of the Resolution was published in three issues not less than seven days between issues of a legal newspaper having general circulation in the area served by each of the proposed participating public agencies. The resolution was passed by the governing bodies of the public agencies more than five days after the last such publication. The proof of publication is attached hereto and incorporated herein by reference.
4. The general nature of the joint public agency's activities will be to issue bonds to pay the costs of constructing, equipping, and furnishing new correctional facilities and to acquire related equipment and furnishings.
5. The name of the joint public agency shall be Lancaster County Correctional Facility Joint Public Agency.

**THE COUNTY OF LANCASTER, NEBRASKA**

  
Representative

  
Representative

**THE CITY OF LINCOLN, NEBRASKA**

  
Representative

  
Representative

SEP 05 2008

BEFORE THE BOARD OF COMMISSIONERS LANC. COUNTY CLERK  
OF THE COUNTY OF LANCASTER, NEBRASKA

A RESOLUTION APPROVING THE )  
EXECUTION AND DELIVERY OF A JOINT )  
PUBLIC AGENCY AGREEMENT )  
CREATING THE LANCASTER COUNTY )  
CORRECTIONAL FACILITY JOINT PUBLIC )  
AGENCY; AND RELATED MATTERS )

RESOLUTION NO. R-08-0075

BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE COUNTY OF LANCASTER, NEBRASKA:

WHEREAS, the Joint Public Agency Act (Chapter 13, Article 25, Reissue Revised Statutes of Nebraska, as amended, the "Act") permits local government units to make the most efficient use of their taxing authority and other powers by enabling them to cooperate with other governmental units on a basis of mutual advantage and to provide services and facilities in a manner and pursuant to forms of governmental organization that will accord best with geographic, economic, population, and other factors influencing the needs and development of local communities;

NOW THEREFORE, BE IT RESOLVED that the Board of Commissioners (the "Board") of The County of Lancaster, Nebraska (the "County"), finds and determines that there exists a need for the creation of a joint public agency (the "Agency") pursuant to the Act to facilitate acquiring, constructing, equipping, furnishing and financing correctional facilities for the benefit of residents of the County as provided in the Act. The participants in the Agency will be the County and The City of Lincoln, Nebraska (the "City").

NOW THEREFORE BE IT FURTHER RESOLVED that the form, terms and provisions of the proposed Joint Public Agency Agreement Creating the Lancaster County Correctional Facility Joint Public Agency (the "Agreement") between the County and the City are, in all respects, hereby approved, authorized, ratified and confirmed, and the Chair or Vice Chair and the Clerk are each separately and individually hereby authorized and directed to execute, acknowledge and deliver the Agreement, including counterparts thereof, in the name and on behalf of the County. The Agreement, as executed and delivered, shall be in substantially the form attached hereto as Exhibit A subject to such changes therein as shall be approved by the officer of the County executing the same, such execution thereof to constitute conclusive evidence of the County's approval of any and all changes or revisions therein from the form of the Agreement now set forth in Exhibit A; and from and after the execution and delivery of the Agreement by the County, the officers, agents and employees of the County are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Agreement.

NOW THEREFORE BE IT FURTHER RESOLVED that (a) if any provision of this Resolution shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatsoever; (b) to the extent that the provisions of this Resolution conflict with provisions of prior resolutions, or parts thereof, the provisions of this Resolution shall control, to the extent of such conflicts; and (c) this Resolution shall be in full force and effect immediately upon its passage and approval.

PASSED: September 9, 2008, at Lincoln, Lancaster County, Nebraska.

BY THE BOARD OF COMMISSIONERS OF  
THE COUNTY OF LANCASTER, NEBRASKA

Deb Schorr  
Paul Howard  
Bob Workman  
DeWayne Keen  
Larry Rudis

APPROVED AS TO FORM  
this 9 day of September, 2008.

[Signature]  
(Deputy) County Attorney

I, Nelisa Koci, on this date, 9-9-08,  
as an employee of the Lancaster County Clerk's  
office in Lincoln, Nebraska do hereby certify  
that this is a true and accurate copy of an  
original record on file in this office

Record # R-08-0075  
By Nelisa Koci





**JOINT PUBLIC AGENCY AGREEMENT  
CREATING THE  
LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY**

This **JOINT PUBLIC AGENCY AGREEMENT** (the “**Agreement**”), dated September \_\_\_\_, 2008, is between **THE CITY OF LINCOLN, NEBRASKA** (the “**City**”), and **THE COUNTY OF LANCASTER, NEBRASKA** (the “**County**”).

**RECITALS**

1. The County is a duly created and existing political subdivision of the State of Nebraska (the “**State**”) pursuant to Section 22-155, Reissue Revised Statutes of Nebraska, as amended.

2. The City is duly organized and validly existing as a city of the primary class and political subdivision of the State pursuant to Chapter 15, Reissue Revised Statutes of Nebraska, as amended, and its home rule charter (the “**Charter**”).

3. The City and the County have entered into a Correctional Facilities Interlocal Agreement pursuant to which the County has undertaken the responsibility for all adult intake and correctional facilities (the “**Correction Facilities**”) and assumed the safekeeping, care, and sustenance of all City offenders held in the Correctional Facilities.

4. The County has determined that it is necessary, desirable, advisable and in the best interest of the County and its residents (including the City) to construct, equip and furnish new correctional facilities (the “**Project**”) to comply with correctional facilities standards of the State.

5. The County and the City (collectively, the “**Participants**”) desire to make the most efficient use of their taxing authority and other powers 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 both the County and the City.

6. The Participants have determined that to achieve the objectives set forth above, it is necessary, desirable, advisable and in the best interest of the Participants that a joint public agency be formed by the Participants pursuant to the Joint Public Agency Act (Chapter 13, Article 25, Reissue Revised Statutes of Nebraska, as amended, the “**Act**”).

7. The Participants have passed resolutions after published notice as required by the Act determining that it is necessary, desirable, advisable and in the best interest of the Participants that they form a joint public agency pursuant to the Act to finance the Project through bonds issued by such agency.

**NOW THEREFORE**, in consideration of the premises and covenants contained herein, the Participants agree as follows:

**ARTICLE I**

**CREATION OF THE JOINT PUBLIC AGENCY**

Pursuant to the Act, the Participants hereby create a joint public agency which shall be named the Lancaster County Correctional Facilities Joint Public Agency (the "Agency") and which shall constitute a separate political subdivision and a public body corporate and politic of the State of Nebraska as provided by the Act. The Agency shall be subject to control by the Participants in accordance with the terms hereof. The governing body of each Participant has passed a resolution after published notice of the same as required by the JPA Act determining that a need for the Agency exists. A certified copy of each approving resolution shall be kept on file by the Agency at the County Clerk's office located at 555 South 10<sup>th</sup> Street, Lincoln, Nebraska, 68508. The governing body of the Agency (the "Board") shall submit the statement required by Section 13-2510, Reissue Revised Statutes of Nebraska, as amended, to the Secretary of State. The Agency's existence shall commence upon the issuance of a certificate of creation by the Secretary of State as provided in Section 13-2511, Reissue Revised Statutes of Nebraska, as amended.

## ARTICLE II

### PURPOSES

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 for the construction, equipping, furnishing and financing of the Project and any other capital improvements or other projects pertaining to the Correctional Facilities 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.

(c) To acquire land for and acquire and construct capital improvements to the Correctional Facilities, to issue bonds to finance the same, and to levy a tax as provided by the Act and this Agreement to pay the principal or redemption price of and interest on such bonds, when and as the same shall become due.

## ARTICLE III

### ORGANIZATION

**Section 301. Governing Body.** The Board of the Agency shall consist of the following representatives:

1. Mayor of the City
2. Chair of the Board of Commissioners of the County
3. Chair of the Council of the City
4. Vice Chair of the Board of Commissioners

**Section 302. Term of Office.** Unless otherwise disqualified by the provisions of the Act, and except as provided herein or any amendment hereto, each representative shall serve for so long as such representative holds the position set forth in **Section 301**.

**Section 303. 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 herein, 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.

**Section 304. Rules of Governance.** 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 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.

**Section 305. Meetings and Notice.** Meetings of the Board may be called by the chair or any two representatives. Written notice of the meeting and agenda shall be provided to each representative, the City Clerk, and the County Clerk at least seven days prior to each such meeting.

The Board shall also give public notice of the meeting pursuant to Section 84-1411, Reissue Revised Statutes of Nebraska, as amended. Public notice shall be given by posting a notice of the meeting on the official bulletin board of the County in the County-City Building, 555 South 10<sup>th</sup> Street, Lincoln, Nebraska, under the heading of "PUBLIC NOTICE OF MEETING," maintaining an agenda in the office of the County Clerk which shall be available for inspection by the public. All meetings shall be conducted in accordance with the Open Meetings Act (Chapter 84, Article 14, Reissue Revised Statutes of Nebraska, as amended).

**Section 306. Treasurer's Bond.** In the event that there is no treasurer's bond that expressly insures the Agency against loss resulting from the fraudulent, illegal, negligent, or otherwise wrongful or unauthorized acts or conduct by or on the part of any person authorized to sign checks, drafts, warrants, or other instruments in writing, there shall be procured and filed with the secretary of the Agency, together with the written authorization filed with the secretary, a surety bond, effective for protection against the loss, in such form and penal amount and with such corporate surety as shall be approved in writing by the signed endorsement thereon of any two officers of the Agency other than the treasurer.

#### ARTICLE IV

##### 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 Article XIII hereof.

#### ARTICLE V

##### 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, liabilities, 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 indentures, 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 Lancaster County 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 herein. Such levy authority may be exercised by the Agency only to the extent the assigning Participant restricts the exercise of its own levy authority to the same degree and the levy authority allocated to the Agency is reported to the Property Tax Administrator; and

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

## ARTICLE VI

### ISSUANCE OF BONDS

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

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

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

## ARTICLE VII

### LEVY AUTHORITY

Pursuant to the provisions of Section 13-2507:

(a) the County hereby irrevocably allocates and assigns to the Agency, for the period beginning September 15, 2008 and ending on the date upon which all of the Agency Bonds (hereinafter defined) 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 County, beginning in the year 2008 for collection in 2009, for the purpose of paying the costs of Correctional Facilities pursuant to Section 23-120(2), Reissue Revised Statutes of Nebraska, as amended, an amount equal to \$2,000,000 (the "County Levy") to be levied solely for the purpose of paying the principal or redemption price of and interest on such bonds of the Agency as may be issued for the purpose of acquiring land for, and constructing, equipping and furnishing Correctional Facilities (the "Agency Bonds").

(b) the City hereby irrevocably allocates and assigns to the Agency, for the period beginning September 15, 2008 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 2008 for collection in 2009, for the purpose of paying the costs of Correctional Facilities pursuant to Section 15-202, Reissue Revised Statutes of Nebraska, as amended, in an amount which, when added to the County Levy, 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 "City Levy"), solely for the purpose of paying the principal or redemption price of and interest on the Agency Bonds.

The County hereby covenants and agrees that it shall not, for any year so long as the Agency Bonds remain outstanding, cause a tax to be levied pursuant to Section 23-120 unless and until (a) the County Levy is sufficient to generate tax revenues sufficient to pay the principal or redemption price of and interest on the Agency Bonds as the same become due the following year based upon the then-current and applicable certified valuation of property to be taxed; (b) the Agency has certified the County Levy to the County Board; (c) there remains unused for that tax year a portion of the County Levy authority under Section 23-120, Reissue Revised Statutes of Nebraska, as amended.

The County shall implement the Agency Bond Levy as requested by the Agency as may be required to pay the principal or redemption price of and interest on the Agency Bonds as the same become due, and shall not levy less than the Agency's lawful requested or certified levy, as long as any Agency Bonds remain outstanding.

The County shall collect and disburse to the trustee named by the Agency, all taxes collected under the Agency Bond Levy.

## ARTICLE VIII

### EXPENSES

All expenses of the Agency not payable from the proceeds of the Agency Bonds, including without limitation, travel expenses, administrative costs, insurance and professional fees, shall be paid by the County.

**ARTICLE IX**

**BUDGETING**

The Board shall prepare a budget based on a fiscal year coinciding with the fiscal year of the County 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 County Board 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.

**ARTICLE X**

**BIENNIAL REPORT**

Commencing in 2009, and each odd-numbered year thereafter, the Agency shall deliver to the Secretary of State a biennial report on a form prescribed and furnished by the Secretary of State, such fee and any other information or requirements as may be specified in Section 13-2525, Reissue Revised Statutes of Nebraska, as amended.

**ARTICLE XI**

**NOT FOR PROFIT**

It is expressly understood that the Agency is a public body and is to be operated not for profit, and no profit, dividend or Agency asset shall inure to the benefit of any individual.

**ARTICLE XII**

**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 hereto or any other agreements with the Agency. Withdrawal shall not impair or adversely affect the levy of the City Levy or the County Levy or receipt of revenues for, or the payment of, any outstanding bonds or indebtedness or the interest thereon.

**ARTICLE XIII**

**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 County continues to have the responsibility for the Correction Facilities and the safekeeping, care, and sustenance of all City offenders held in the Correctional Facilities, all interest in the land, capital improvements,

personal property and all other assets of the Agency used in the operation of the Correctional Facilities financed by the Agency Bonds remaining in the Agency shall be transferred to the County.

**ARTICLE XIV**

**MANNER OF ACQUIRING AND HOLDING PROPERTY**

The Board may lease, purchase or acquire by any means, from a Participant or from any other source, such real and personal property as is required for the operation of the Agency and for carrying out the purposes hereof. The title to all such property, personal or real, shall be held in the name of the County. The Agency shall comply with the applicable bidding procedures of the County Purchasing Act (Chapter 23, Article 31, Reissue Revised Statutes of Nebraska, as amended). The County 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.

**ARTICLE XV**

**AMENDMENT**

This Agreement may be amended in writing, signed by all the Participants; provided, however, no amendment may be made limiting the duty of the Agency or the Participants to levy and collect taxes for the payment of any Agency Bonds. Any amendment hereto 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.

**ARTICLE XVI**

In exercising its authority and carrying out its duties and functions the Agency 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.

**CITY OF LINCOLN, NEBRASKA**

By: \_\_\_\_\_  
Mayor

**THE COUNTY OF LANCASTER, NEBRASKA**

By: \_\_\_\_\_  
Chair

RESOLUTION NO. 84997**A RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF THE LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY AGREEMENT**

**WHEREAS**, the Joint Public Agency Act (Chapter 13, Article 25, Reissue Revised Statutes of Nebraska, as amended, the "Act") permits local government units to make the most efficient use of their taxing authority and other powers by enabling them to cooperate with other governmental units on a basis of mutual advantage and to provide services and facilities in a manner and pursuant to forms of governmental organization that will accord best with geographic, economic, population, and other factors influencing the needs and development of local communities, and

**NOW THEREFORE, BE IT RESOLVED** that the Council of The City of Lincoln, Nebraska (the "City"), finds and determines that there exists a need for the creation of a joint public agency (the "Agency") pursuant to the Act to facilitate acquiring, constructing, equipping, furnishing and financing correctional facilities for the benefit of residents of the City as provided in the Act. The participants in the Agency will be the City and The County of Lancaster, Nebraska (the "County").

**NOW THEREFORE BE IT FURTHER RESOLVED** that the form, terms and provisions of the proposed Joint Public Agency Agreement Creating the Lancaster County Correctional Facility Joint Public Agency (the "Agreement") between the City and the County are, in all respects, hereby approved, authorized, ratified and confirmed, and the Mayor and the Clerk are each separately and individually hereby authorized and directed to execute, acknowledge and deliver the Agreement, including counterparts thereof, in the name and on behalf of the City. The Agreement, as executed and delivered, shall be in substantially the form attached hereto as **Exhibit A** subject to such changes therein as shall be approved by the Mayor, such execution thereof to constitute conclusive evidence of the City's approval of any and all changes or revisions therein from the form of the Agreement now set forth in **Exhibit A**; and from and after the execution and delivery of the Agreement by the City, the officers, agents and employees of the City are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Agreement.

**NOW THEREFORE BE IT FURTHER RESOLVED** that (a) if any provision of this Resolution shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatsoever; (b) to the extent that the provisions of this Resolution conflict with provisions of prior resolutions, or parts thereof, the provisions of this Resolution shall control, to the extent of such conflicts; and (c) this Resolution shall be in full force and effect immediately upon its passage and approval.

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



INTRODUCED BY:

Jon A. Camp

PASSED SEP 08, 2008.

ABSENT OR NOT VOTING:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

AYES: \_\_\_\_\_

AYES: Camp, Cook, Emery,  
Eschliman, Marvin, Spatz,  
Svoboda; NAYS: None.

NAYS: \_\_\_\_\_

Approved as to Form:

John V. Hendry  
City Attorney

James W. Wisner  
Bond Counsel

CONFLICT OF INTEREST:

\_\_\_\_\_

APPROVED: \_\_\_\_\_, 2008.

[Signature]  
Mayor

ADOPTED  
SEP 08 2008  
BY CITY COUNCIL

EXHIBIT "A"

JOINT PUBLIC AGENCY AGREEMENT  
CREATING THE  
LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY

This JOINT PUBLIC AGENCY AGREEMENT (the "Agreement"), dated September \_\_\_\_, 2008, is between THE CITY OF LINCOLN, NEBRASKA (the "City"), and THE COUNTY OF LANCASTER, NEBRASKA (the "County").

RECITALS

1. The County is a duly created and existing political subdivision of the State of Nebraska (the "State") pursuant to Section 22-155, Reissue Revised Statutes of Nebraska, as amended.

2. The City is duly organized and validly existing as a city of the primary class and political subdivision of the State pursuant to Chapter 15, Reissue Revised Statutes of Nebraska, as amended, and its home rule charter (the "Charter").

3. The City and the County have entered into a Correctional Facilities Interlocal Agreement pursuant to which the County has undertaken the responsibility for all adult intake and correctional facilities (the "Correction Facilities") and assumed the safekeeping, care, and sustenance of all City offenders held in the Correctional Facilities.

4. The County has determined that it is necessary, desirable, advisable and in the best interest of the County and its residents (including the City) to construct, equip and furnish new correctional facilities (the "Project") to comply with correctional facilities standards of the State.

5. The County and the City (collectively, the "Participants") desire to make the most efficient use of their taxing authority and other powers 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 both the County and the City.

6. The Participants have determined that to achieve the objectives set forth above, it is necessary, desirable, advisable and in the best interest of the Participants that a joint public agency be formed by the Participants pursuant to the Joint Public Agency Act (Chapter 13, Article 25, Reissue Revised Statutes of Nebraska, as amended, the "Act").

7. The Participants have passed resolutions after published notice as required by the Act determining that it is necessary, desirable, advisable and in the best interest of the Participants that they form a joint public agency pursuant to the Act to finance the Project through bonds issued by such agency.

NOW THEREFORE, in consideration of the premises and covenants contained herein, the Participants agree as follows:

## ARTICLE I

### CREATION OF THE JOINT PUBLIC AGENCY

Pursuant to the Act, the Participants hereby create a joint public agency which shall be named the Lancaster County Correctional Facilities Joint Public Agency (the "Agency") and which shall constitute a separate political subdivision and a public body corporate and politic of the State of Nebraska as provided by the Act. The Agency shall be subject to control by the Participants in accordance with the terms hereof. The governing body of each Participant has passed a resolution after published notice of the same as required by the JPA Act determining that a need for the Agency exists. A certified copy of each approving resolution shall be kept on file by the Agency at the County Clerk's office located at 555 South 10<sup>th</sup> Street, Lincoln, Nebraska, 68508. The governing body of the Agency (the "Board") shall submit the statement required by Section 13-2510, Reissue Revised Statutes of Nebraska, as amended, to the Secretary of State. The Agency's existence shall commence upon the issuance of a certificate of creation by the Secretary of State as provided in Section 13-2511, Reissue Revised Statutes of Nebraska, as amended.

## ARTICLE II

### PURPOSES

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 for the construction, equipping, furnishing and financing of the Project and any other capital improvements or other projects pertaining to the Correctional Facilities 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.

(c) To enter into a site lease with the County to provide a site for the Project, construct, equip and furnish the Project, to issue bonds to finance the same, and to levy a tax as provided by the Act and this 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 Project for so long as any Agency Bonds (hereinafter defined) are outstanding, and to convey the Project to the County at such time as no Agency Bonds are outstanding.

## ARTICLE III

### ORGANIZATION

**Section 301. Governing Body.** The Board of the Agency shall consist of the following representatives:

1. Mayor of the City
2. Chair of the Board of Commissioners of the County
3. Chair of the Council of the City

4. Vice Chair of the Board of Commissioners

**Section 302. Term of Office.** Unless otherwise disqualified by the provisions of the Act, and except as provided herein or any amendment hereto, each representative shall serve for so long as such representative holds the position set forth in **Section 301**.

**Section 303. 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 herein, 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.

**Section 304. Rules of Governance.** 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 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.

**Section 305. Meetings and Notice.** Meetings of the Board may be called by the chair or any two representatives. Written notice of the meeting and agenda shall be provided to each representative, the City Clerk, and the County Clerk at least seven days prior to each such meeting.

The Board shall also give public notice of the meeting pursuant to Section 84-1411, Reissue Revised Statutes of Nebraska, as amended. Public notice shall be given by posting a notice of the meeting on the official bulletin board of the County in the County-City Building, 555 South 10<sup>th</sup> Street, Lincoln, Nebraska, under the heading of "PUBLIC NOTICE OF MEETING," maintaining an agenda in the office of the County Clerk which shall be available for inspection by the public. All meetings shall be conducted in accordance with the Open Meetings Act (Chapter 84, Article 14, Reissue Revised Statutes of Nebraska, as amended).

**Section 306. Treasurer's Bond.** In the event that there is no treasurer's bond that expressly insures the Agency against loss resulting from the fraudulent, illegal, negligent, or otherwise wrongful or unauthorized acts or conduct by or on the part of any person authorized to sign checks, drafts, warrants, or other instruments in writing, there shall be procured and filed with the secretary of the Agency, together with the written authorization filed with the secretary, a surety bond, effective for protection against the loss, in such form and penal amount and with such corporate surety as shall be approved in writing by the signed endorsement thereon of any two officers of the Agency other than the treasurer.

## ARTICLE IV

### 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 **Article XIII** hereof.

## ARTICLE V

### 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, liabilities, 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 indentures, 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 Lancaster County 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 herein. Such levy authority may be exercised by the Agency only to the extent the assigning Participant restricts the exercise of its own levy authority to the same degree and the levy authority allocated to the Agency is reported to the Property Tax Administrator; and

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

## ARTICLE VI

### ISSUANCE OF BONDS

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

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

Notwithstanding any other terms hereof to the contrary, the Agency shall not issue any bonds or other form of indebtedness without the question of such bonds or indebtedness being first presented to, and approved by, the Mayor and Council of the City and the Board of Commissioners of the County.

## ARTICLE VII

### LEVY AUTHORITY

Pursuant to the provisions of Section 13-2507:

(a) the County hereby irrevocably allocates and assigns to the Agency, for the period beginning September 15, 2008 and ending on the date upon which all of the Agency Bonds (hereinafter defined) 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 County, beginning in the year 2008 for collection in 2009, for the purpose of paying the costs of constructing, equipping and furnishing the Correctional Facilities pursuant to Section 23-120(2), Reissue Revised Statutes of Nebraska, as amended, an amount equal to \$2,000,000 (the "County Levy") to be levied solely for the purpose of paying the principal or redemption price of and interest on such bonds of the Agency as may be issued for the purpose of acquiring land for, and constructing, equipping and furnishing Correctional Facilities (the "Agency Bonds").

(b) the City hereby irrevocably allocates and assigns to the Agency, for the period beginning September 15, 2008 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, not to exceed \$3,500,000 annually, beginning in the year 2008 for collection in 2009, for the purpose of paying the costs of Correctional Facilities pursuant to Section 15-202, Reissue Revised Statutes of Nebraska, as amended, in an amount which, when added to the County Levy, 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 "City Levy"), solely for the purpose of paying the principal or redemption price of and interest on the Agency Bonds.

The County hereby covenants and agrees that it shall not, for any year so long as the Agency Bonds remain outstanding, cause a tax to be levied pursuant to Section 23-120 unless and until (a) the County Levy is sufficient to generate tax revenues sufficient to pay the principal or redemption price of and interest on the Agency Bonds as the same become due the following year based upon the then-current and applicable certified valuation of property to be taxed; (b) the Agency has certified the County Levy to the County Board; (c) there remains unused for that tax year a portion of the County Levy authority under Section 23-120, Reissue Revised Statutes of Nebraska, as amended.

The County shall implement the Agency Bond Levy as requested by the Agency as may be required to pay the principal or redemption price of and interest on the Agency Bonds as the same become due, and shall not levy less than the Agency's lawful requested or certified levy, as long as any Agency Bonds remain outstanding.

The County shall collect and disburse to the trustee named by the Agency, all taxes collected under the Agency Bond Levy.

**ARTICLE VIII**

**EXPENSES**

All expenses of the Agency not payable from the proceeds of the Agency Bonds, including without limitation, travel expenses, administrative costs, insurance and professional fees, shall be paid by the County.

**ARTICLE IX**

**BUDGETING**

The Board shall prepare a budget based on a fiscal year coinciding with the fiscal year of the County 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 County Board 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.

**ARTICLE X**

**BIENNIAL REPORT**

Commencing in 2009, and each odd-numbered year thereafter, the Agency shall deliver to the Secretary of State a biennial report on a form prescribed and furnished by the Secretary of State, such fee and any other information or requirements as may be specified in Section 13-2525, Reissue Revised Statutes of Nebraska, as amended.

**ARTICLE XI**

**NOT FOR PROFIT**

It is expressly understood that the Agency is a public body and is to be operated not for profit, and no profit, dividend or Agency asset shall inure to the benefit of any individual.

**ARTICLE XII**

**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 hereto or any other agreements with the Agency. Withdrawal shall not impair or adversely affect the levy of the City Levy or the County Levy or receipt of revenues for, or the payment of, any outstanding bonds or indebtedness or the interest thereon.

**ARTICLE XIII**

**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 County continues to have the responsibility for the Correction Facilities and the safekeeping, care, and sustenance of all City offenders held in the Correctional Facilities, all interest in the land, capital improvements, personal property and all other assets of the Agency used in the operation of the Correctional Facilities financed by the Agency Bonds remaining in the Agency shall be transferred to the County.

**ARTICLE XIV**

**MANNER OF ACQUIRING AND HOLDING PROPERTY**

The Board may lease, purchase or acquire by any means, from a Participant or from any other source, such real and personal property as is required for the operation of the Agency and for carrying out the purposes hereof. The title to all such property, personal or real, 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 Project to the County at such time as no Agency Bonds remain outstanding. The Agency shall comply with the applicable bidding procedures of the County Purchasing Act (Chapter 23, Article 31, Reissue Revised Statutes of Nebraska, as amended). The County 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.

**ARTICLE XV**

**AMENDMENT**

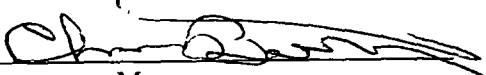
This Agreement may be amended in writing, signed by all the Participants; provided, however, no amendment may be made limiting the duty of the Agency or the Participants to levy and collect taxes for the payment of any Agency Bonds. Any amendment hereto must first be approved by resolution of the governing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

**ARTICLE XVI**

In exercising its authority and carrying out its duties and functions the Agency 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.



**CITY OF LINCOLN, NEBRASKA**

By:   
Mayor

**THE COUNTY OF LANCASTER, NEBRASKA**

By:   
Chair

# AFFIDAVIT OF PUBLICATION

State of Nebraska }  
LANCASTER COUNTY, } ss.

NOTICE OF RESOLUTION  
OF THE BOARD  
OF COUNTY COMMISSIONERS  
OF THE COUNTY  
OF LANCASTER, NEBRASKA

PUBLIC NOTICE is hereby given pursuant to the provisions of Section 13-2509, Revised Statutes of Nebraska, as amended; that the Board of Commissioners of the County of Lancaster, Nebraska will consider passage of the following resolution at its regularly scheduled meeting to be held Tuesday, September 9, 2008, at 9:30 a.m. in the Board of Commissioners Room, County-City Building, 535 South 10th Street, Lincoln, Nebraska:

WHEREAS, the Joint Public Agency Act (Chapter 13, Article 25, Revised Statutes of Nebraska, as amended), the "Act", permits local government units to make the most efficient use of their taxing authority and other powers by enabling them to cooperate with other governmental units on a basis of mutual advantage and to provide services and facilities in a manner and pursuant to forms of governmental organization that will accord best with geographic, economic, population, and other factors influencing the needs and development of local communities; and

NOW, THEREFORE, BE IT RESOLVED that the Board of Commissioners (the "Board") of the County of Lancaster, Nebraska (the "County"), finds and determines that there exists a need for the creation of a joint public agency (the "Agency") pursuant to the Act to facilitate acquiring, constructing, equipping, furnishing and financing correctional facilities for the benefit of residents of the County as provided in the Act. The participants in the Agency will be the County and the City of Lincoln, Nebraska (the "City").

NOW, THEREFORE, BE IT FURTHER RESOLVED that the form, terms, and provisions of the proposed Joint Public Agency Agreement, captioned, the Lancaster County Correctional Facility Joint Public Agency Agreement (the "Agreement") between the County and the City are in all respects hereby approved, authorized, ratified and confirmed, and the Chair or Vice Chair and the Clerk are each separately and individually hereby authorized and directed to execute, acknowledge, and deliver the Agreement, including counterparts thereof, in the name and on behalf of the County. The Agreement, as executed and delivered, shall be in substantially the form attached hereto as Exhibit A, subject to such changes therein as shall be approved by the officer of the County executing the same. Such execution thereof shall constitute conclusive evidence of the County's approval of any and all changes or revisions therein from the form of the Agreement now set forth in Exhibit A, and from and after the execution and delivery of the Agreement by the County, the officers, agents and employees of the County are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Agreement.

NOW, THEREFORE, BE IT FURTHER RESOLVED that (a) if any provision of this Resolution shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained, or render the same invalid, inoperative or unenforceable to any extent whatsoever; (b) to the extent that the provisions of this Resolution conflict with provisions of prior resolutions, or parts thereof, the provisions of this Resolution shall control, to the extent of such conflicts; and (c) this Resolution shall be in full force and effect immediately upon its passage and approval.

BY ORDER OF THE BOARD OF COMMISSIONERS OF THE COUNTY OF LANCASTER, NEBRASKA

\*5233956 3x Aug. 19, 26, Sept. 2.

The undersigned, being first duly sworn, deposes and says that she/he is a Clerk of the Lincoln Journal Star, legal newspaper printed, published and having a general circulation in the County of Lancaster and State of Nebraska, and that the attached printed notice was published in said newspaper 3 successive time(s) the first insertion having been on the 19 day of August A.D., 2008 and thereafter on 26, & Sept. 2nd, 2008 and that said newspaper is the legal newspaper under the statutes of the State of Nebraska. The above facts are within my personal knowledge and are further verified by my personal inspection of each notice in each of said issues.

Rebecca Coulter

Subscribed in my presence and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_

Notary Public

Printer's Fee, \$ \_\_\_\_\_

5233956

# AFFIDAVIT OF PUBLICATION

State of Nebraska }  
LANCASTER COUNTY, } ss.

The undersigned, being first duly sworn, deposes and says that she/he is a Clerk of the Lincoln Journal Star, legal newspaper printed, published and having a general circulation in the County of Lancaster and State of Nebraska, and that the attached printed notice was published in said newspaper 3 successive time(s) the first insertion having been on the 19 day of August A.D., 2008 and thereafter on 26, & Sept. 2nd, 2008 and that said newspaper is the legal newspaper under the statutes of the State of Nebraska. The above facts are within my personal knowledge and are further verified by my personal inspection of each notice in each of said issues.

*Rebecca Coulter*

Subscribed in my presence and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_

Notary Public

Printer's Fee, \$ \_\_\_\_\_

5233957

NOTICE OF RESOLUTION OF THE COUNCIL OF THE CITY OF LINCOLN, NEBRASKA. PUBLIC NOTICE is hereby given pursuant to the provisions of Section 13-2509, Revised Statutes of Nebraska, as amended, that the Council of the City of Lincoln, Nebraska will consider passage of the following resolution at its regularly scheduled meeting to be held Monday, September 8, 2008 at 7:30 p.m. in the Council Chambers, County City Building, 555 South 10th Street, Lincoln, Nebraska.

WHEREAS, the Joint Public Agency Act (Chapter 13, Article 25, Revised Statutes of Nebraska, as amended, the "Act") permits local government units to make the most efficient use of their taxing authority and other powers by enabling them to cooperate with other governmental units on a basis of mutual advantage and to provide services and facilities in a manner and pursuant to forms of governmental organization that will accord best with geographic, economic, population, and other factors influencing the needs and development of local communities, and

NOW, THEREFORE BE IT RESOLVED, that the Council of the City of Lincoln, Nebraska (the "City") has determined that there exists a need for the creation of a joint public agency (the "Agency") pursuant to the Act to facilitate acquiring, constructing, equipping, furnishing and financing correctional facilities for the benefit of residents of the City as provided in the Act. The participants in the Agency will be the City and the County of Lancaster, Nebraska (the "County").

NOW, THEREFORE BE IT FURTHER RESOLVED, that the terms, terms and provisions of the proposed joint public Agency Agreement Creating the Lancaster County Correctional Facility Joint Public Agency (the "Agreement") between the City and the County are, in all respects, hereby approved, authorized, ratified and confirmed, and the Mayor and the Clerk are each separately and individually hereby authorized and directed to execute, acknowledge and deliver the Agreement, including counterparts thereof, in the name and on behalf of the City. The Agreement, as executed and delivered, shall be substantially the form attached hereto as Exhibit A subject to such changes therein as shall be approved by the Mayor, such execution thereof to constitute conclusive evidence of the City's approval of any and all changes or revisions therefrom from the form of the Agreement now set forth in Exhibit A; and from and after the execution and delivery of the Agreement by the City, the officers, agents and employees of the City are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Agreement.

NOW, THEREFORE BE IT FURTHER RESOLVED, that (a) if any provision of this Resolution shall be held or deemed to be or shall be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative, unenforceable to any extent whatsoever; (b) to the extent that the provisions of this Resolution conflict with provisions of prior resolutions or parts thereof, the provisions of this Resolution shall control; to the extent of such conflicts; and (c) this Resolution shall be in full force and effect immediately upon its passage and approval.


BY ORDER OF THE COUNCIL OF THE CITY OF LINCOLN, NEBRASKA  
#5233957 19 Aug 19 26 Sept 2

**CERTIFICATE**

I, **RAY STEVENS**, Secretary of the Lancaster County Correctional Facility Joint Public Agency, hereby certify that attached hereto is a true, correct and complete copy of the Joint Public Agency Agreement Creating the Lancaster County Correctional Facility Joint Public Agency dated September 9, 2008 (the "**Agreement**") between The County of Lancaster, Nebraska and The City of Lincoln, Nebraska. I hereby further certify that the Agreement has not been amended, supplemented, altered or revoked and remains in full force and effect in the form appended hereto.

**IN WITNESS WHEREOF**, I have executed this Certificate in my official capacity.

**DATED:** February 12, 2009.



---

Secretary, Lancaster County  
Correctional Facility Joint Public Agency

Attachment

**JOINT PUBLIC AGENCY AGREEMENT  
CREATING THE  
LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY**

This **JOINT PUBLIC AGENCY AGREEMENT** (the “**Agreement**”), dated September 9, 2008, is between **THE CITY OF LINCOLN, NEBRASKA** (the “**City**”), and **THE COUNTY OF LANCASTER, NEBRASKA** (the “**County**”).

**RECITALS**

1. The County is a duly created and existing political subdivision of the State of Nebraska (the “**State**”) pursuant to Section 22-155, Reissue Revised Statutes of Nebraska, as amended.

2. The City is duly organized and validly existing as a city of the primary class and political subdivision of the State pursuant to Chapter 15, Reissue Revised Statutes of Nebraska, as amended, and its home rule charter (the “**Charter**”).

3. The City and the County have entered into a Correctional Facilities Interlocal Agreement pursuant to which the County has undertaken the responsibility for all adult intake and correctional facilities (the “**Correction Facilities**”) and assumed the safekeeping, care, and sustenance of all City offenders held in the Correctional Facilities.

4. The County has determined that it is necessary, desirable, advisable and in the best interest of the County and its residents (including the City) to construct, equip and furnish new correctional facilities (the “**Project**”) to comply with correctional facilities standards of the State.

5. The County and the City (collectively, the “**Participants**”) desire to make the most efficient use of their taxing authority and other powers 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 both the County and the City.

6. The Participants have determined that to achieve the objectives set forth above, it is necessary, desirable, advisable and in the best interest of the Participants that a joint public agency be formed by the Participants pursuant to the Joint Public Agency Act (Chapter 13, Article 25, Reissue Revised Statutes of Nebraska, as amended, the “**Act**”).

7. The Participants have passed resolutions after published notice as required by the Act determining that it is necessary, desirable, advisable and in the best interest of the Participants that they form a joint public agency pursuant to the Act to finance the Project through bonds issued by such agency.

**NOW THEREFORE**, in consideration of the premises and covenants contained herein, the Participants agree as follows:

## ARTICLE I

### CREATION OF THE JOINT PUBLIC AGENCY

Pursuant to the Act, the Participants hereby create a joint public agency which shall be named the Lancaster County Correctional Facilities Joint Public Agency (the "Agency") and which shall constitute a separate political subdivision and a public body corporate and politic of the State of Nebraska as provided by the Act. The Agency shall be subject to control by the Participants in accordance with the terms hereof. The governing body of each Participant has passed a resolution after published notice of the same as required by the JPA Act determining that a need for the Agency exists. A certified copy of each approving resolution shall be kept on file by the Agency at the County Clerk's office located at 555 South 10<sup>th</sup> Street, Lincoln, Nebraska, 68508. The governing body of the Agency (the "Board") shall submit the statement required by Section 13-2510, Reissue Revised Statutes of Nebraska, as amended, to the Secretary of State. The Agency's existence shall commence upon the issuance of a certificate of creation by the Secretary of State as provided in Section 13-2511, Reissue Revised Statutes of Nebraska, as amended.

## ARTICLE II

### PURPOSES

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 for the construction, equipping, furnishing and financing of the Project and any other capital improvements or other projects pertaining to the Correctional Facilities 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.

(c) To enter into a site lease with the County to provide a site for the Project, construct, equip and furnish the Project, to issue bonds to finance the same, and to levy a tax as provided by the Act and this 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 Project for so long as any Agency Bonds (hereinafter defined) are outstanding, and to convey the Project to the County at such time as no Agency Bonds are outstanding.

## ARTICLE III

### ORGANIZATION

**Section 301. Governing Body.** The Board of the Agency shall consist of the following representatives:

1. Mayor of the City
2. Chair of the Board of Commissioners of the County
3. Chair of the Council of the City
4. Vice Chair of the Board of Commissioners

**Section 302. Term of Office.** Unless otherwise disqualified by the provisions of the Act, and except as provided herein or any amendment hereto, each representative shall serve for so long as such representative holds the position set forth in **Section 301**.

**Section 303. 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 herein, 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.

**Section 304. Rules of Governance.** 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 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.

**Section 305. Meetings and Notice.** Meetings of the Board may be called by the chair or any two representatives. Written notice of the meeting and agenda shall be provided to each representative, the City Clerk, and the County Clerk at least seven days prior to each such meeting.

The Board shall also give public notice of the meeting pursuant to Section 84-1411, Reissue Revised Statutes of Nebraska, as amended. Public notice shall be given by posting a notice of the meeting on the official bulletin board of the County in the County-City Building, 555 South 10<sup>th</sup> Street, Lincoln, Nebraska, under the heading of "PUBLIC NOTICE OF MEETING," maintaining an agenda in the office of the County Clerk which shall be available for inspection by the public. All meetings shall be conducted in accordance with the Open Meetings Act (Chapter 84, Article 14, Reissue Revised Statutes of Nebraska, as amended).

**Section 306. Treasurer's Bond.** In the event that there is no treasurer's bond that expressly insures the Agency against loss resulting from the fraudulent, illegal, negligent, or otherwise wrongful or unauthorized acts or conduct by or on the part of any person authorized to sign checks, drafts, warrants, or other instruments in writing, there shall be procured and filed with the secretary of the Agency, together with the written authorization filed with the secretary, a surety bond, effective for protection against the loss, in such form and penal amount and with such corporate surety as shall be approved in writing by the signed endorsement thereon of any two officers of the Agency other than the treasurer.

## ARTICLE IV

### 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 **Article XIII** hereof.

## ARTICLE V

### 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, liabilities, 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 indentures, 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 Lancaster County 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 herein. Such levy authority may be exercised by the Agency only to the extent the assigning Participant restricts the exercise of its own levy authority to the same degree and the levy authority allocated to the Agency is reported to the Property Tax Administrator; and

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

## ARTICLE VI

### ISSUANCE OF BONDS

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

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



Notwithstanding any other terms hereof to the contrary, the Agency shall not issue any bonds or other form of indebtedness without the question of such bonds or indebtedness being first presented to, and approved by, the Mayor and Council of the City and the Board of Commissioners of the County.

## ARTICLE VII

### LEVY AUTHORITY

Pursuant to the provisions of Section 13-2507:

(a) the County hereby irrevocably allocates and assigns to the Agency, for the period beginning September 15, 2008 and ending on the date upon which all of the Agency Bonds (hereinafter defined) 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 County, beginning in the year 2008 for collection in 2009, for the purpose of paying the costs of constructing, equipping and furnishing the Correctional Facilities pursuant to Section 23-120(2), Reissue Revised Statutes of Nebraska, as amended, an amount equal to \$2,000,000 (the “County Levy”) to be levied solely for the purpose of paying the principal or redemption price of and interest on such bonds of the Agency as may be issued for the purpose of acquiring land for, and constructing, equipping and furnishing Correctional Facilities (the “Agency Bonds”).

(b) the City hereby irrevocably allocates and assigns to the Agency, for the period beginning September 15, 2008 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, not to exceed \$3,500,000 annually, beginning in the year 2008 for collection in 2009, for the purpose of paying the costs of Correctional Facilities pursuant to Section 15-202, Reissue Revised Statutes of Nebraska, as amended, in an amount which, when added to the County Levy, 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 “City Levy”), solely for the purpose of paying the principal or redemption price of and interest on the Agency Bonds.

The County hereby covenants and agrees that it shall not, for any year so long as the Agency Bonds remain outstanding, cause a tax to be levied pursuant to Section 23-120 unless and until (a) the County Levy is sufficient to generate tax revenues sufficient to pay the principal or redemption price of and interest on the Agency Bonds as the same become due the following year based upon the then-current and applicable certified valuation of property to be taxed; (b) the Agency has certified the County Levy to the County Board; (c) there remains unused for that tax year a portion of the County Levy authority under Section 23-120, Reissue Revised Statutes of Nebraska, as amended.

The County shall implement the Agency Bond Levy as requested by the Agency as may be required to pay the principal or redemption price of and interest on the Agency Bonds as the same become due, and shall not levy less than the Agency’s lawful requested or certified levy, as long as any Agency Bonds remain outstanding.

The County shall collect and disburse to the trustee named by the Agency, all taxes collected under the Agency Bond Levy.

**ARTICLE VIII**

**EXPENSES**

All expenses of the Agency not payable from the proceeds of the Agency Bonds, including without limitation, travel expenses, administrative costs, insurance and professional fees, shall be paid by the County.

**ARTICLE IX**

**BUDGETING**

The Board shall prepare a budget based on a fiscal year coinciding with the fiscal year of the County 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 County Board 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.

**ARTICLE X**

**BIENNIAL REPORT**

Commencing in 2009, and each odd-numbered year thereafter, the Agency shall deliver to the Secretary of State a biennial report on a form prescribed and furnished by the Secretary of State, such fee and any other information or requirements as may be specified in Section 13-2525, Reissue Revised Statutes of Nebraska, as amended.

**ARTICLE XI**

**NOT FOR PROFIT**

It is expressly understood that the Agency is a public body and is to be operated not for profit, and no profit, dividend or Agency asset shall inure to the benefit of any individual.

**ARTICLE XII**

**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 hereto or any other agreements with the Agency. Withdrawal shall not impair or adversely affect the levy of the City Levy or the County Levy or receipt of revenues for, or the payment of, any outstanding bonds or indebtedness or the interest thereon.

### **ARTICLE XIII**

#### **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 County continues to have the responsibility for the Correction Facilities and the safekeeping, care, and sustenance of all City offenders held in the Correctional Facilities, all interest in the land, capital improvements, personal property and all other assets of the Agency used in the operation of the Correctional Facilities financed by the Agency Bonds remaining in the Agency shall be transferred to the County.

### **ARTICLE XIV**

#### **MANNER OF ACQUIRING AND HOLDING PROPERTY**

The Board may lease, purchase or acquire by any means, from a Participant or from any other source, such real and personal property as is required for the operation of the Agency and for carrying out the purposes hereof. The title to all such property, personal or real, 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 Project to the County at such time as no Agency Bonds remain outstanding. The Agency shall comply with the applicable bidding procedures of the County Purchasing Act (Chapter 23, Article 31, Reissue Revised Statutes of Nebraska, as amended). The County 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.

### **ARTICLE XV**

#### **AMENDMENT**

This Agreement may be amended in writing, signed by all the Participants; provided, however, no amendment may be made limiting the duty of the Agency or the Participants to levy and collect taxes for the payment of any Agency Bonds. Any amendment hereto 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.

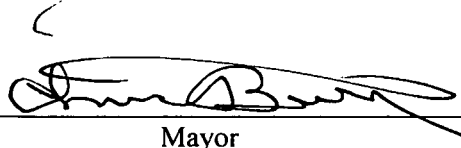
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**ARTICLE XVI**

In exercising its authority and carrying out its duties and functions the Agency 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.

**CITY OF LINCOLN, NEBRASKA**

By: \_\_\_\_\_



Mayor

**THE COUNTY OF LANCASTER, NEBRASKA**

By: \_\_\_\_\_



Chair

**CERTIFICATE**

I, **RAY STEVENS**, Secretary of the Lancaster County Correctional Facility Joint Public Agency (the "**Agency**"), hereby certify that attached hereto is a true, correct and complete copy of the Bond Resolution dated December 30, 2008 of the Agency, as amended by the Amendment to Bond Resolution adopted by the Agency on January 26, 2009 (collectively, the "**Resolution**").

I hereby further certify that:

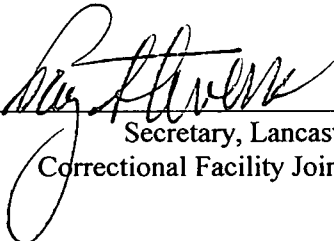
(a) the Bond Resolution was duly adopted by the Board of the Agency on December 30, 2008 at a meeting of the Board held on such date;

(b) the Amendment to Bond Resolution was duly adopted by the Board of the Agency on January 26, 2009 at a meeting of the Board held on such date; and

(b) the Resolution has not been amended, supplemented, altered or repealed other than as set forth in this certificate and remains in full force and effect in the form appended hereto.

**IN WITNESS WHEREOF**, I have executed this Certificate in my official capacity.

**DATED:** February 12, 2009.

  
\_\_\_\_\_  
Secretary, Lancaster County  
Correctional Facility Joint Public Agency

Attachments

Execution copy

---

**BOND RESOLUTION**

**OF**

**LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY  
IN THE STATE OF NEBRASKA**

**PASSED**

**DECEMBER 30, 2008**

**NOT TO EXCEED  
\$65,000,000  
CORRECTIONAL FACILITY BONDS, SERIES 2009**

---

**Resolution**

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**LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY**

**BOND RESOLUTION**

**A RESOLUTION AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$65,000,000 AGGREGATE PRINCIPAL AMOUNT OF CORRECTIONAL FACILITY BONDS, SERIES 2008; PRESCRIBING THE FORM AND DETAILS OF SUCH BONDS; PROVIDING FOR THE LEVY AND COLLECTION OF AN ANNUAL TAX FOR THE PURPOSE OF PAYING THE PRINCIPAL OF AND INTEREST ON SUCH BONDS AS THEY BECOME DUE; AND AUTHORIZING CERTAIN OTHER DOCUMENTS AND ACTIONS IN CONNECTION THEREWITH**

---

**BE IT RESOLVED BY THE BOARD OF LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY IN THE STATE OF NEBRASKA, AS FOLLOWS:**

**FINDINGS AND DETERMINATIONS**

The Board (the "**Board**") of Lancaster County Correctional Facility Joint Public Agency in the State of Nebraska (the "**Agency**") hereby finds and determines as follows:

1. The Agency has been duly organized by The County of Lancaster, Nebraska (the "**County**") and The City of Lincoln, Nebraska (the "**City**") pursuant to the provisions of the Joint Public Agency Act (Chapter 13, Article 25, Reissue Revised Statutes of Nebraska, as amended, "**Act**") and the Lancaster County Correctional Facility Joint Public Agency Agreement dated September 9, 2008 (the "**JPA Agreement**") between the County and the City (together, the "**Participants**"), and is validly existing as a joint public agency of the State of Nebraska (the "**State**"). The Nebraska Secretary of State has issued a Certificate of Creation and notice of the creation thereof has been published as required by the Act.

2. The Agency is organized for the purpose of providing financing to construct, equip and furnish new correctional facilities (the "**Project**") to comply with correctional facilities standards of the State.

3. It is necessary, desirable, advisable and in the best interests of the Agency and the Participants, that the Agency (a) construct, equip and furnish the Project, (b) issue bonds (the "**Bonds**") for the purposes of paying the costs of the Project and (c) levy taxes in an amount sufficient to pay the principal or redemption price of and interest on the Bonds.

4. Pursuant to the JPA Agreement, (a) the County has irrevocably allocated and assigned to the Agency, for the period beginning September 15, 2008 and ending on the date upon which all of the Bonds are no longer deemed to be outstanding and unpaid hereunder, its authority to cause the levy of taxes within the taxing district of the County, beginning in the year 2008 for collection in 2009, for the purpose of paying the costs of the Project pursuant to Section 23-120(2), Reissue Revised Statutes of Nebraska, as amended, an amount equal to \$2,000,000 (the "**County Levy**") solely for the purpose of paying the principal or redemption price of and interest on the Bonds, and (b) the City has irrevocably

allocated and assigned to the Agency, for the period beginning September 15, 2008 and ending on the date upon which all of the Bonds are no longer deemed to be outstanding and unpaid hereunder, its authority to cause the levy of taxes within the taxing district of the City, not to exceed \$3,500,000 annually, beginning in the year 2008 for collection in 2009, for the purpose of paying the costs of the Project pursuant to Section 15-202, Reissue Revised Statutes of Nebraska, as amended, in an amount which, when added to the County Levy, will be sufficient to pay the principal or redemption price of and interest on the Bonds when and as the same become due (the "City Levy") solely for the purpose of paying the principal or redemption price of and interest on the Bonds.

5. All conditions, acts, and things required by law to exist or to be done precedent to the issuance of the Bonds to exist and have been done in due form and time as required by law.

## ARTICLE I

### DEFINITIONS

**Section 101. Definitions of Words and Terms.** In addition to words and terms defined elsewhere herein, the following words and terms used in this Resolution have the following meanings:

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

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

**"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.

**"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"** means any of the Correctional Facility Bonds, Series 2008, dated the date of delivery thereof, authorized and issued by the Agency pursuant to this Resolution.

**"Business Day"** means a day other than a Saturday, Sunday or holiday on which the Paying Agent 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.

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

**“Construction Fund”** means the fund by that name referred to in **Section 501** hereof.

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

**“Debt Service Fund”** means the fund by that name referred to in **Section 501** hereof.

**“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 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”).

**“Designated Office”** means the corporate trust administration office maintained by the Paying Agent at which the Paying Agent discharges its obligations under this Resolution and which may be changed by the Paying Agent upon written notice to the Agency and to each Registered Owner.

**“Facilities Agreement”** means the Facilities Agreement dated the date of its execution and delivery between the Agency and the County, governing the acquisition, construction, equipping, furnishing, operation and management of the Project.

**“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.

**“Interest Payment Date”** means June 1 and December 1 of each year beginning June 1, 2009.

**“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.

**“Outstanding”** means, when used with reference to the Bonds, as of any particular date of determination, all Bonds theretofore authenticated and delivered hereunder, 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 provisions of Section 701 hereof; and

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

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

**“Paying Agent”** means Wells Fargo Bank, National Association and any successors or assigns.

**“Permitted Investments”** means any of the following securities, if and to the extent the same are at the time legal for investment of the Agency’s funds:

(a) Government Obligations;

(b) bonds, notes or other obligations of the State, or any political subdivision of the State, that at the time of their purchase are rated in either of the two highest rating categories by a nationally recognized rating service;

(c) obligations of the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Financing Bank, the Federal Intermediate Credit Corporation, Federal Banks for Cooperatives, Federal Land Banks, Federal Home Loan Banks, Farmers Home Administration and Federal Home Loan Mortgage Corporation;

(d) repurchase agreements with any bank, bank holding company, trust company, or other financial institution organized under the laws of the United States or any state, that are continuously and fully secured by any one or more of the securities described in clause (a), (b) or (c) above and that have a market value, exclusive of accrued interest, at all times at least equal to the principal amount of such repurchase agreement and are held in a custodial or trust account for the benefit of the Agency; and

(e) certificates of deposit or time deposits, whether negotiable or nonnegotiable, issued by any bank or trust company organized under the laws of the United States or any state, provided that such certificates of deposit or time deposits shall be either (1) continuously and fully insured by the Federal Deposit Insurance Corporation, or (2) continuously and fully secured by such securities as are described above in clauses (a) through (c), inclusive, which shall have a market value, exclusive of accrued interest, at all times at least equal to the principal amount of such certificates of deposit or time deposits.

“**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 constructing, equipping and furnishing correctional facilities to comply with correctional facility standards of the State.

“**Purchaser**” means the responsible bidder(s) offering to purchase the Bonds at the lowest true interest costs to the Agency at the public sale for the Bonds.

“**Record Date**” for the interest payable on any Interest Payment Date means the fifteenth day of the month next preceding the month in which an Interest Payment Date occurs.

“**Redemption Date**” when used with respect to any Bond to be redeemed means the date fixed for the redemption of such Bond pursuant to the terms of this Resolution.

“**Redemption Price**” when used with respect to any Bond to be redeemed means the price at which such Bond is to be redeemed pursuant to the terms of this Resolution.

“**Registered Owner**” when used with respect to any Bond means the Person in whose name such Bond is registered on the Bond Register.

“**Replacement Bonds**” means Bonds issued to Beneficial Owners in accordance with **Section 207**.

“**Resolution**” means this Resolution adopted by the governing body of the Agency, authorizing the issuance of the Bonds, as amended from time to time.

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

“**Special Record Date**” means the date fixed by the Paying Agent pursuant to **Section 204** for the payment of Defaulted Interest.

“**Stated Maturity**” means, when used with respect to any Bond, the date specified in such Bond and this Resolution as the fixed date on which the principal of such Bond is due and payable.

“**Tax Certificate**” means the Federal Tax Certificate executed and delivered by the Agency in connection with the issuance of the Bonds, as the same may be amended or supplemented in accordance with the provisions thereof.

“**United States**” means the United States of America.

## ARTICLE II

### AUTHORIZATION OF BONDS

**Section 201. Authorization of Bonds.** The Agency is hereby authorized and directed to issue the Bonds in an aggregate principal amount not to exceed \$65,000,000 to (a) pay the costs of the Project and (b) to pay the costs of issuing the Bonds.

**Section 202. Description of Bonds.** The Bonds shall consist of fully registered bonds, numbered from R-1 upward in order of issuance, in denominations of \$5,000 or any integral multiple thereof. The Bonds shall be in substantially the form set forth in **Exhibit A** attached hereto and shall be subject to registration, transfer and exchange as provided in **Section 205** hereof. All of the Bonds shall be dated the date of delivery thereof, shall become due and payable serially in the amounts on the Stated Maturities, subject to redemption and payment prior to their Stated Maturities as provided in **Article III** hereof, and shall bear interest at the rates per annum as determined by the Chair in accordance with the provisions of **Section 212**.

The Bonds shall bear interest (computed on the basis of a 360-day year of twelve 30-day months) from the date thereof or from the most recent Interest Payment Date to which interest has been paid or duly provided for.

Each of the Bonds, as originally issued or issued upon transfer, exchange or substitution, shall be in substantially the form set forth in **Exhibit A** attached hereto.

**Section 203. Designation of Paying Agent.** The Agency hereby designates the Paying Agent as its paying agent for the payment of principal of and interest on the Bonds and bond registrar with respect to the registration, transfer and exchange of Bonds. The Paying Agent shall serve in such capacities under the terms of an agreement entitled "Bond Registrar and Paying Agent Agreement" between the Agency and the Paying Agent (the "Registrar Agreement"), in the form attached hereto as **Exhibit B**, which is hereby ratified and approved. The Chair and Secretary are hereby authorized to execute the Registrar Agreement in substantially the form presented but with such changes as they shall deem appropriate or necessary.

The Agency will at all times maintain a Paying Agent meeting the qualifications herein described for the performance of the duties hereunder. The Agency reserves the right to appoint a successor Paying Agent by (a) filing with the Paying Agent then performing such function a certified copy of the proceedings giving notice of the termination of such Paying Agent and appointing a successor, and (b) causing notice of the appointment of the successor Paying Agent to be given by first-class mail to each Registered Owner. No resignation or removal of the Paying Agent shall become effective until a successor has been appointed and has accepted the duties of Paying Agent.

Every Paying Agent appointed hereunder shall at all times be a commercial banking association or corporation or trust company organized and doing business under the laws of the United States or of a state of the United States, authorized under such laws to exercise trust powers and subject to supervision or examination by federal or state regulatory authority.

**Section 204. Method and Place of Payment of Bonds.** The principal or Redemption Price of and interest on the Bonds shall be payable in any coin or currency of the United States that on the respective dates of payment thereof is legal tender for the payment of public and private debts.

The principal or Redemption Price of each Bond shall be paid at Maturity by check or draft to the Person in whose name such Bond is registered on the Bond Register at the Maturity thereof, upon presentation and surrender of such Bond at the Designated Office of the Paying Agent.

The interest payable on each Bond on any Interest Payment Date shall be paid to the Registered Owner of such Bond as shown on the Bond Register at the close of business on the Record Date for such interest by check or draft mailed by the Paying Agent to the address of such Registered Owner shown on the Bond Register.

Notwithstanding the foregoing provisions of this **Section 204**, any Defaulted Interest with respect to any Bond shall cease to be payable to the Registered Owner of such Bond on the relevant Record Date and shall be payable to the Registered Owner in whose name such Bond is registered at the close of business on the Special Record Date for the payment of such Defaulted Interest, which Special Record Date shall be fixed as specified in this paragraph. The Agency shall notify the Paying Agent in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment (which date shall be at least 30 days after receipt of such notice by the Paying Agent) and shall deposit with the Paying Agent at the time of such notice an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Paying Agent for such deposit prior to the date of the proposed payment. Following receipt of such funds the Paying Agent shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment. The Paying Agent shall promptly notify the Agency of such Special Record Date and, in the name and at the expense of the Agency, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, by first-class mail, postage prepaid, to each Registered Owner of a Bond entitled to such notice at the address of such Registered Owner as it appears on the Bond Register not less than 10 days prior to such Special Record Date.

The Paying Agent shall keep a record of the payment of principal or Redemption Price of and interest on all Bonds and at least annually shall forward a copy or summary of such records to the Agency.

**Section 205. Registration, Transfer and Exchange of Bonds.** The Agency covenants that, as long as any of the Bonds remain Outstanding, it will cause the Bond Register to be kept at the Designated Office. Each Bond when issued shall be registered in the name of the Registered Owner thereof on the Bond Register.

Bonds may be transferred and exchanged only on the Bond Register as provided in this **Section 205**. Upon surrender of any Bond at the Designated Office, the Paying Agent shall transfer or exchange such Bond for a new Bond or Bonds in any authorized denomination of the same Stated Maturity and in the same aggregate principal amount as the Bond that was presented for transfer or exchange. Bonds presented for transfer or exchange shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in a form and with guarantee of signature satisfactory to the Paying Agent, duly executed by the Registered Owner thereof or by the Registered Owner's duly authorized agent.

In all cases in which the privilege of transferring or exchanging Bonds is exercised, the Paying Agent shall authenticate and deliver Bonds in accordance with the provisions of this Resolution. The Agency shall pay the fees and expenses of the Paying Agent for the registration, transfer and exchange of Bonds provided for by this Resolution and the cost of printing a reasonable supply of registered bond blanks. Any additional costs or fees that might be incurred in the secondary market, other than fees of the Paying Agent, are the responsibility of the Registered Owners of the Bonds. In the event any Registered



Owner fails to provide a correct taxpayer identification number to the Paying Agent, the Paying Agent may make a charge against such Registered Owner sufficient to pay any governmental charge required to be paid as a result of such failure. In compliance with Section 3406 of the Code, such amount may be deducted by the Paying Agent from amounts otherwise payable to such Registered Owner hereunder or under the Bonds.

The Agency and the Paying Agent shall not be required (a) to register the transfer or exchange of any Bond that has been called for redemption after notice of such redemption has been mailed by the Paying Agent pursuant to Section 303 hereof and during the period of 15 days next preceding the date of mailing of such notice of redemption, or (b) to register the transfer or exchange of any Bond during a period beginning at the opening of business on the day after receiving written notice from the Agency of its intent to pay Defaulted Interest and ending at the close of business on the date fixed for the payment of Defaulted Interest pursuant to Section 204.

The Agency and the Paying Agent may deem and treat the Person in whose name any Bond is registered on the Bond Register as the absolute owner of such Bond, whether such Bond is overdue or not, for the purpose of receiving payment of, or on account of, the principal or Redemption Price of and interest on such Bond and for all other purposes. All payments so made to any such Registered Owner or upon the Registered Owner's order shall be valid and effective to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the Agency nor the Paying Agent shall be affected by any notice to the contrary.

At reasonable times and under reasonable regulations established by the Paying Agent, the Bond Register may be inspected and copied by the Registered Owners of 10% or more in aggregate principal amount of the Bonds then Outstanding or any designated representative of such Registered Owners whose authority is evidenced to the satisfaction of the Paying Agent.

**Section 206. Execution, Registration, Authentication and Delivery of Bonds.** Each of the Bonds, including any Bonds issued in exchange or as substitutions for the Bonds initially delivered, shall be signed by the manual or facsimile signature of the Chair and attested by the manual or facsimile signature of the Secretary. In case any officer whose signature appears on any Bond ceases to be such officer before the delivery of such Bond, such signature shall nevertheless be valid and sufficient for all purposes, as if such person had remained in office until delivery. Any Bond may be signed by such persons who at the actual time of the execution of such Bond are the proper officers to sign such Bond although at the date of such Bond such persons may not have been such officers.

The Chair and Secretary are hereby authorized and directed to prepare and execute the Bonds in the manner herein specified, and, when duly executed and registered, to deliver the Bonds to the Paying Agent for authentication.

The Bonds shall have endorsed thereon a certificate of authentication substantially in the form set forth in **Exhibit A** attached hereto, which shall be manually executed by an authorized officer or employee of the Paying Agent, but it shall not be necessary that the same officer or employee sign the certificate of authentication on all of the Bonds that may be issued hereunder at any one time. No Bond shall be entitled to any security or benefit under this Resolution or be valid or obligatory for any purpose unless and until such certificate of authentication has been duly executed by the Paying Agent. Such executed certificate of authentication upon any Bond shall be conclusive evidence that such Bond has been duly authenticated and delivered under this Resolution. Upon authentication, the Paying Agent shall deliver the Bonds to the Purchaser upon payment of the purchase price of the Bonds plus accrued interest thereon to the date of their delivery.

**Section 207. Mutilated, Destroyed, Lost and Stolen Bonds.** If (a) any mutilated Bond is surrendered to the Paying Agent or the Paying Agent receives evidence to its satisfaction of the destruction, loss or theft of any Bond, and (b) there is delivered to the Paying Agent such security or indemnity as may be required by the Paying Agent, then, in the absence of notice to the Paying Agent that such Bond has been acquired by a bona fide purchaser, the Agency shall execute and, upon the Agency's request, the Paying Agent shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Bond, a new Bond of the same Stated Maturity and of like tenor and principal amount.

If any such mutilated, destroyed, lost or stolen Bond has become or is about to become due and payable, the Agency, in its discretion, may pay such Bond instead of issuing a new Bond.

Upon the issuance of any new Bond under this **Section 207**, the Agency may require the payment by the Registered Owner of an amount sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Paying Agent) connected therewith.

Every new Bond issued pursuant to this **Section 207** shall constitute a replacement of the prior obligation of the Agency, and shall be entitled to all the benefits of this Resolution equally and ratably with all other Outstanding Bonds.

**Section 208. Cancellation and Destruction of Bonds Upon Payment.** All Bonds that have been paid or redeemed or that otherwise have been surrendered to the Paying Agent, either at or before Maturity, shall be cancelled by the Paying Agent immediately upon the payment, redemption and surrender thereof to the Paying Agent and subsequently destroyed in accordance with the customary practices of the Paying Agent. The Paying Agent shall execute a certificate in duplicate describing the Bonds so cancelled and destroyed and shall file an executed counterpart of such certificate with the Agency.

**Section 209. Book-Entry Bonds; Securities Depository.**

(a) The Bonds shall initially be registered to Cede & Co., as nominee for the Securities Depository, and no Beneficial Owner will receive any certificate representing its respective interest(s) in the Bonds, except in the event the Paying Agent issues Replacement Bonds as provided in **Section 209(b)**. It is anticipated that during the term of the Bonds, the Securities Depository will make book-entry transfers among its Participants and receive and transmit payment of the principal or Redemption Price of and interest on the Bonds to the Participants until and unless the Paying Agent authenticates and delivers Replacement Bonds to the Beneficial Owners as described in **Section 209(b)**.

(b) (1) If the Agency determines (A) that the Securities Depository is unable to properly discharge its responsibilities, or (B) that the Securities Depository is no longer qualified to act as a securities depository and registered clearing agency under the Securities and Exchange Act of 1934, as amended, or (C) that the continuation of a book-entry system to the exclusion of any Bonds being issued to any Registered Owner other than Cede & Co. is no longer in the best interests of the Beneficial Owners of the Bonds, or (2) if the Paying Agent receives written notice from Participants having interests in not less than 50% in aggregate principal amount of the Bonds Outstanding, as shown on the records of the Securities Depository (and certified to such effect by the Securities Depository), that the continuation of a book-entry system to the exclusion of any Bonds being issued to any Registered Owner other than Cede & Co. is no longer in the best interests of the Beneficial Owners of the Bonds, then the Paying Agent shall notify the Registered Owners of such determination or such notice and of the availability of certificates to

Registered Owners requesting the same, and the Paying Agent shall register in the name of and authenticate and deliver Replacement Bonds to the Beneficial Owners or their nominees in principal amounts representing the interest of each, making such adjustments as it may find necessary or appropriate as to accrued interest and previous calls for redemption; provided, that in the case of a determination under this **Section 209(b)(1)(A)** or **(1)(B)**, the Agency, with the consent of the Paying Agent, may select a successor securities depository in accordance with **Section 209(c)** hereof to effect book-entry transfers. In such event, all references to the Securities Depository herein shall relate to the period of time when the Securities Depository has possession of at least one Bond. Upon the issuance of Replacement Bonds, all references herein to obligations imposed upon or to be performed by the Securities Depository shall be deemed to be imposed upon and performed by the Paying Agent, to the extent applicable with respect to such Replacement Bonds. If the Securities Depository resigns and the Agency, the Paying Agent or Registered Owners are unable to locate a qualified successor of the Securities Depository in accordance with **Section 209(c)** hereof, then the Paying Agent shall authenticate and cause delivery of Replacement Bonds to Registered Owners as provided herein. The Paying Agent may rely on information from the Securities Depository and its Participants as to the names of the Beneficial Owners of the Bonds. The cost of printing Replacement Bonds shall be paid for by the Agency.

(c) In the event the Securities Depository resigns, is unable to properly discharge its responsibilities, or is no longer qualified to act as a securities depository and registered clearing agency under the Securities Exchange Act of 1934, as amended, the Agency may appoint a successor Securities Depository provided the Paying Agent receives written evidence satisfactory to the Paying Agent with respect to the ability of the successor Securities Depository to discharge its responsibilities. Any such successor Securities Depository shall be a securities depository which is a registered clearing agency under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation that operates a securities depository upon reasonable and customary terms. The Paying Agent upon its receipt of a Bond or Bonds for cancellation shall cause the delivery of Bonds to the successor Securities Depository in appropriate denominations and form as provided herein.

**Section 210. Preliminary and Final Official Statement.** The Preliminary Official Statement, in the form attached hereto as **Exhibit C**, is hereby ratified and approved, and the final Official Statement is hereby authorized and approved by supplementing, amending and completing the Preliminary Official Statement with such changes and additions thereto as are necessary to conform to and describe the transaction. The Chair is hereby authorized to execute the final Official Statement as so supplemented, amended and completed, and the use and public distribution of the final Official Statement by the Purchaser in connection with the reoffering of the Bonds is hereby authorized. The proper officials of the Agency are hereby authorized to execute and deliver a certificate pertaining to such Official Statement as prescribed therein, dated as of the date of payment for and delivery of the Bonds.

For the purpose of enabling the Purchaser to comply with the requirements of Rule 15c2-12(b)(1) of the Securities and Exchange Commission, the Agency hereby deems the information regarding the Agency contained in the Preliminary Official Statement to be “final” as of its date, except for the omission of such information as is permitted by Rule 15c2-12(b)(1), and the appropriate officers of the Agency are hereby authorized, if requested, to provide the Purchaser a letter or certification to such effect and to take such other actions or execute such other documents as such officers in their reasonable judgment deem necessary to enable the Purchaser to comply with the requirement of such Rule.

The Agency agrees to provide to the Purchaser within seven Business Days of the date of the sale of Bonds sufficient copies of the final Official Statement to enable the Purchaser to comply with the requirements of Rule 15c2-12(b)(4) of the Securities and Exchange Commission and with the requirements of Rule G-32 of the Municipal Securities Rulemaking Board.

**Section 211. Sale of Bonds.** The Bond shall be sold at public sale to the responsible Purchaser offering to purchase the Bonds at the lowest true interest cost to the Agency pursuant to a Notice of Sale in substantially the form attached hereto as **Exhibit D**, under which the Agency offers to sell the Bonds, upon the terms and conditions set forth therein and with such changes therein as shall be approved by the Chair or Vice Chair. The Chair or Vice Chair is authorized to accept the bid of the Purchaser and to execute all other documents necessary to effectuate the sale of the Bonds to the Purchaser.

**Section 212. Determination of Terms and Provisions of Bonds.** The Chair or the Vice Chair shall determine and fix (a) the dated date, which shall not be later than June 30, 2009; (b) the aggregate principal amount of the Bonds, including the principal amounts of the respective serial bonds and term bonds of the Bonds; provided, however, the aggregate principal amount of the Bonds shall not exceed \$65,000,000; (c) the rate or rates of interest to be borne by each maturity of Bonds, such that the Bonds shall not have a true interest cost in excess of 5.75% per annum, calculated on the basis of a 360-day year consisting of twelve 30-day months; (d) the principal amount of each Bond maturing in each year; (e) the mandatory sinking fund redemption dates and amount with respect to the Bonds in each year for which the Chair and/or Vice Chair determines that a mandatory sinking fund redemption shall be made (the “**Term Bonds**”); (f) the dates upon which the Bonds will be subject to redemption at the option of the Agency and the Redemption Price of the Bonds, which shall not exceed 104% of the principal amount being redeemed; and (g) the final maturity date of the Bonds which shall be not later than December 1, 2028.

### ARTICLE III

#### REDEMPTION OF BONDS

##### **Section 301. Optional and Mandatory Redemption of Bonds.**

(a) ***Optional Redemption by Agency.*** At the option of the Agency, Bonds or portions thereof may be called for redemption and payment prior to their Stated Maturity at any time on or after the date determined by the Chair or Vice Chair in accordance with the provisions of **Section 212**, as a whole or in part at Redemption Prices equal determined by the Chair or Vice Chair in accordance with the provisions of **Section 212**, plus accrued interest thereon to the Redemption Date.

(b) ***Mandatory Redemption.*** The Bonds issued as Term Bonds shall be subject to mandatory redemption and payment prior to Stated Maturity pursuant to the mandatory redemption requirements of this **Section 301(b)** at a Redemption Price equal to 100% of the principal amount thereof plus accrued interest to the Redemption Date. The taxes levied in **Article IV** hereof which are to be deposited into the Debt Service Fund shall be sufficient to redeem, and the Agency shall redeem on December 1 in each year, the principal amounts of such term bonds as determined by the Chair or Vice Chair in accordance with the provisions of **Section 212**.

At its option, to be exercised on or before the 45th day next preceding any mandatory Redemption Date, the Agency may: (1) deliver to the Paying Agent for cancellation Term Bonds subject to mandatory redemption on such mandatory Redemption Date, in any aggregate principal amount desired; or (2) furnish the Paying Agent funds, together with appropriate instructions, for the purpose of purchasing any Term Bonds subject to mandatory redemption on such mandatory Redemption Date from any Registered Owner thereof whereupon the Paying Agent shall expend such funds for such purpose to such extent as may be practical; or (3) receive a credit with respect to the mandatory redemption obligation of the Agency under this Section for any Term Bonds subject to mandatory redemption on such mandatory Redemption Date

which, prior to such date, have been redeemed (other than through the operation of the mandatory redemption requirements of this subsection (b)) and cancelled by the Paying Agent and not theretofore applied as a credit against any redemption obligation under this subsection (b). Each Term Bond so delivered or previously purchased or redeemed shall be credited at 100% of the principal amount thereof on the obligation of the Agency to redeem Term Bonds of the same Stated Maturity on such mandatory Redemption Date, and any excess of such amount shall be credited on future mandatory redemption obligations for Term Bonds of the same Stated Maturity in chronological order, and the principal amount of Term Bonds of the same Stated Maturity to be redeemed by operation of the requirements of this Section shall be accordingly reduced. If the Agency intends to exercise any option granted by the provisions of clauses (1), (2) or (3) above, the Agency will, on or before the 45th day next preceding each mandatory Redemption Date, furnish the Paying Agent a written certificate indicating to what extent the provisions of clauses (1), (2) and (3) are to be complied with respect to such mandatory redemption payment.

### **Section 302. Selection of Bonds to Be Redeemed.**

(a) The Paying Agent shall call Bonds for redemption and payment and shall give notice of such redemption as herein provided upon receipt by the Paying Agent at least 45 days prior to the Redemption Date of written instructions of the Agency specifying the principal amount, Stated Maturities, Redemption Date and Redemption Prices of the Bonds to be called for redemption. The Paying Agent may in its discretion waive such notice period so long as the notice requirements set forth in Section 303 are met.

(b) Bonds shall be redeemed only in the principal amount of \$5,000 or any integral multiple thereof. When fewer than all of the Outstanding Bonds are to be redeemed, such Bonds shall be redeemed in such principal amounts and from such Stated Maturities as the Agency, in its sole and absolute discretion, may determine, and Bonds of less than a full Stated Maturity shall be selected by the Paying Agent in \$5,000 units of principal amount in such equitable manner as the Paying Agent may determine.

(c) In the case of a partial redemption of Bonds by lot when Bonds of denominations greater than \$5,000 are then Outstanding, then for all purposes in connection with such redemption, each \$5,000 of face value shall be treated as though it were a separate Bond of the denomination of \$5,000. If it is determined that one or more, but not all, of the \$5,000 units of face value represented by any Bond are selected for redemption, then upon notice of intention to redeem such \$5,000 unit or units, the Registered Owner of such Bond or the Registered Owner's duly authorized agent shall present and surrender such Bond to the Paying Agent (1) for payment of the Redemption Price and interest to the Redemption Date of such \$5,000 unit or units of face value called for redemption, and (2) for exchange, without charge to the Registered Owner thereof, for a new Bond or Bonds of the aggregate principal amount of the unredeemed portion of the principal amount of such Bond. If the Registered Owner of any such Bond fails to present such Bond to the Paying Agent for payment and exchange as provided, such Bond shall, nevertheless, become due and payable on the Redemption Date to the extent of the \$5,000 unit or units of face value called for redemption (and to that extent only).

**Section 303. Notice and Effect of Call for Redemption.** Unless waived by any Registered Owner of Bonds to be redeemed, official notice of any redemption shall be given by the Paying Agent on behalf of the Agency by mailing a copy of an official redemption notice by first-class mail at least 30 days prior to the Redemption Date to the Purchaser and each Registered Owner of the Bonds to be redeemed at the address shown on the Bond Register.

All official notices of redemption shall be dated and shall contain the following information:

- (a) the Redemption Date;
- (b) the Redemption Price;
- (c) if less than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption of any Bonds, the respective principal amounts) of the Bonds to be redeemed;
- (d) a statement that on the Redemption Date the Redemption Price will become due and payable upon each such Bond or portion thereof called for redemption and that interest thereon shall cease to accrue from and after the Redemption Date; and
- (e) the place where such Bonds are to be surrendered for payment of the Redemption Price, which shall be the Designated Office.

The failure of any Registered Owner to receive notice given as heretofore provided or an immaterial defect therein shall not invalidate any redemption.

Prior to any Redemption Date, the Agency shall deposit with the Paying Agent an amount of money sufficient to pay the Redemption Price of all the Bonds or portions of Bonds that are to be redeemed on that date.

Official notice of redemption having been given as provided, the Bonds or portions of Bonds to be redeemed shall become due and payable on the Redemption Date, at the Redemption Price therein specified, and from and after the Redemption Date (unless the Agency defaults in the payment of the Redemption Price) such Bonds or portion of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with such notice, the Redemption Price of such Bonds shall be paid by the Paying Agent. Installments of interest due on or prior to the Redemption Date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the Registered Owner a new Bond or Bonds of the same Stated Maturity in the amount of the unpaid principal as provided herein. All Bonds that have been surrendered for redemption shall be cancelled and destroyed by the Paying Agent as provided herein and shall not be reissued.

In addition to the foregoing notice, further notice shall be given by the Paying Agent on behalf of the Agency as set out below, but no defect in such further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if official notice thereof is given as above prescribed.

(1) Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (A) the CUSIP numbers of all Bonds being redeemed; (B) the date of issue of the Bonds as originally issued; (C) the rate of interest borne by each Bond being redeemed; (D) the maturity date of each Bond being redeemed; and (E) any other descriptive information needed to identify accurately the Bonds being redeemed.

(2) Each further notice of redemption shall be sent at least one day before the mailing of notice to Registered Owners by first-class, registered or certified mail or overnight delivery, as determined by the Paying Agent, to all registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Bonds and to one or more

national information services that disseminate notices of redemption of obligations such as the Bonds.

(3) Each check or other transfer of funds issued for the payment of the Redemption Price of Bonds being redeemed shall bear or have enclosed the CUSIP number of the Bonds being redeemed with the proceeds of such check or other transfer.

The Paying Agent is also directed to comply with any mandatory or voluntary standards then in effect for processing redemptions of municipal securities established by the Securities and Exchange Commission. Failure to comply with such standards shall not affect or invalidate the redemption of any Bond.

#### ARTICLE IV

##### SECURITY FOR AND PAYMENT OF BONDS

**Section 401. Security for the Bonds.** The Bonds shall be general obligations of the Agency payable as to both principal and interest from ad valorem taxes which may be levied upon all the taxable property subject to taxation as provided in the JPA Agreement. 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.

**Section 402. Levy and Collection of Annual Tax.** For the purpose of providing for the payment of the principal of and interest on the Bonds as the same become due, there is hereby levied upon all of the taxable property within the taxing district of the County the County Levy and within the taxing district of the City the City Levy, in addition to all other taxes, sufficient in rate and amount to provide for the payment in full and when due of the principal or Redemption Price of and interest on the Bonds as the same becomes due and payable in each year, 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 Participants are levied and collected. The proceeds derived from such taxes shall be deposited 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 the principal or Redemption Price of and interest on the Bonds as and when the same become due and the fees and expenses of the Paying Agent.

#### ARTICLE V

##### ESTABLISHMENT OF FUNDS; DEPOSIT AND APPLICATION OF MONEY

**Section 501. Establishment of Funds.** There have been or shall be established in the treasury of the Agency and shall be held and administered by the Treasurer the following separate funds:

- (a) Construction Fund
- (b) Debt Service Fund
- (c) Rebate Fund.

**Section 502. Deposit of Bond Proceeds.** 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 Debt Service Fund and applied in accordance with **Section 504** hereof.

(b) The remaining balance of the proceeds derived from the sale of the Bonds shall be deposited in the Construction Fund and shall be applied in accordance with **Section 503** hereof.

**Section 503. Application of Money in the Construction Fund.** Money in the Construction Fund shall be used by the Agency solely for the purpose of (a) paying the costs of the Project in accordance with the plans and specifications therefor prepared by the Agency's architects approved by the Board 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 Board, and (b) paying the costs and expenses of issuing the Bonds.

The Treasurer shall make a withdrawal from the Construction Fund only upon a duly authorized and executed order of the Board accompanied by a certificate executed by the Agency's architects stating that such payment is being made for a purpose within the scope of this 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 hereinbefore contained shall prevent the payment out of the Construction Fund of all costs and expenses incident to the issuance of the Bonds without a certificate from the Agency's architects.

Upon completion of the Project, any surplus remaining in the Construction Fund shall be transferred to and deposited in the Debt Service Fund.

**Section 504. Application of Money in the Debt Service Fund.** All amounts paid and credited to the Debt Service Fund shall be expended and used by the Agency for the sole purpose of paying the principal or Redemption Price of and interest on the Bonds as and when the same become due and the usual and customary fees and expenses of the Paying Agent. The Treasurer is authorized and directed to withdraw from the Debt Service Fund sums sufficient to pay both principal or Redemption Price of and interest on the Bonds and the fees and expenses of the Paying Agent as and when the same become due, and to forward such sums to the Paying Agent in a manner which ensures that the Paying Agent will receive immediately available funds in such amounts on or before the Business Day immediately preceding the dates when such principal, interest and fees of the Paying Agent will become due. If, through the lapse of time or otherwise, the Registered Owners of Bonds are no longer entitled to enforce payment of the Bonds or the interest thereon, the Paying Agent shall return such funds to the Agency. All money deposited with the Paying Agent shall be deemed to be deposited in accordance with and subject to all of the provisions contained in this Resolution and shall be held in trust by the Paying Agent for the benefit of the Registered Owners of the Bonds entitled to payment from such money.

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 into the General Fund of the Agency.

**Section 505. Deposits and Investment of Money.** Money in each of the funds created by and referred to in this Resolution shall be deposited in a bank or banks or other legally permitted financial



institutions that are members of the Federal Deposit Insurance Corporation. All such deposits shall be continuously and adequately secured by the financial institutions holding such deposits as provided by the laws of the State. All money held in the funds created by this Resolution shall be kept separate and apart from all other funds of the Agency so that there shall be no commingling of such funds with any other funds of the Agency.

Money held in any fund referred to in this Resolution may be invested by the Treasurer at the direction of the Board, in accordance with this Resolution and the Tax Certificate, in Permitted Investments; provided, however, that no such investment shall be made for a period extending longer than the date when the money invested may be needed for the purpose for which such fund was created. All earnings on any investments held in any fund shall accrue to and become a part of such fund.

**Section 506. Payments Due on Saturdays, Sundays and Holidays.** If any payment on a Bond is due on a date which is not a Business Day, then such payment need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on such payment date, and no interest shall accrue for the period after such payment date.

**Section 507. Nonpresentment of Bonds.** If any Bond is not presented for payment when the principal thereof becomes due at Maturity, if funds sufficient to pay such Bond have been made available to the Paying Agent all liability of the Agency to the Registered Owner thereof for the payment of such Bond shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Paying Agent to hold such funds, without liability for interest thereon, for the benefit of the Registered Owner of such Bond, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under this Resolution or on, or with respect to, such Bond. If any Bond is not presented for payment within four years following the date when such Bond becomes due at Maturity, the Paying Agent shall repay to the Agency the funds theretofore held by it for payment of such Bond, and such Bond shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the Agency, and the Registered Owner thereof shall be entitled to look only to the Agency for payment, and then only to the extent of the amount so repaid to it by the Paying Agent, and the Agency shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

## ARTICLE VI

### REMEDIES

**Section 601. Remedies.** The provisions of this Resolution, including the covenants and agreements herein contained, shall constitute a contract between the Agency and the Registered Owners of the Bonds, and the Registered Owner or Owners of not less than 10% in aggregate principal amount of the Bonds at the time Outstanding shall have the right for the equal benefit and protection of all Registered Owners of Bonds similarly situated:

(a) by mandamus or other suit, action or proceedings at law or in equity to enforce the rights of such Registered Owner or Owners against the Agency and its officers, agents and employees, and to require and compel duties and obligations required by the provisions of this Resolution or by the constitution and laws of the State;

(b) by suit, action or other proceedings in equity or at law to require the Agency, its officers, agents and employees to account as if they were the trustees of an express trust; and

(c) by suit, action or other proceedings in equity or at law to enjoin any acts or things which may be unlawful or in violation of the rights of the Registered Owners of the Bonds.

**Section 602. Limitation on Rights of Registered Owners.** The covenants and agreements of the Agency contained herein and in the Bonds shall be for the equal benefit, protection and security of the Registered Owners of any or all of the Bonds. All of the Bonds shall be of equal rank and without preference or priority of one Bond over any other Bond in the application of the funds herein pledged to the payment of the principal of and the interest on the Bonds, or otherwise, except as to rate of interest, or date of Maturity or right of prior redemption as provided in this Resolution. No one or more Registered Owners secured hereby shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security granted and provided for herein, or to enforce any right hereunder, except in the manner herein provided, and all proceedings at law or in equity shall be instituted, had and maintained for the equal benefit of all Registered Owners of such Outstanding Bonds.

**Section 603. Remedies Cumulative.** No remedy conferred herein upon the Registered Owners is intended to be exclusive of any other remedy, but each such remedy shall be cumulative and in addition to every other remedy and may be exercised without exhausting and without regard to any other remedy conferred herein. No waiver of any default or breach of duty or contract by the Registered Owner of any Bond shall extend to or affect any subsequent default or breach of duty or contract or shall impair any rights or remedies consequent thereon. No delay or omission of any Registered Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein. Every substantive right and every remedy conferred upon the Registered Owners of the Bonds by this Resolution may be enforced and exercised from time to time and as often as may be deemed expedient. If any suit, action or proceedings taken by any Registered Owner on account of any default or to enforce any right or exercise any remedy has been discontinued or abandoned for any reason, or has been determined adversely to such Registered Owner, then, and in every such case, the Agency and the Registered Owners of the Bonds shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Registered Owners shall continue as if no such suit, action or other proceedings had been brought or taken.

## ARTICLE VII

### DEFEASANCE

**Section 701. Defeasance.** When the principal or Redemption Price of and interest on any or all of the Bonds have been paid and discharged, then the requirements contained in this Resolution and the pledge of the Agency's faith and credit hereunder and all other rights granted hereby shall terminate with respect to such Bonds so paid and discharged. Bonds or the interest payments thereon shall be deemed to have been paid and discharged within the meaning of this Resolution 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 in compliance with **Section 302(a)** hereof. Any money and Defeasance Obligations that at any time shall be

deposited with the Paying Agent or other commercial bank or trust company by or on behalf of the Agency, for the purpose of paying and discharging any of the Bonds, shall be and are hereby assigned, transferred and set over to the Paying Agent or other bank or trust company in trust for the respective Registered Owners of the Bonds, and such money shall be and is hereby irrevocably appropriated to the payment and discharge thereof. All money and Defeasance Obligations deposited with the Paying Agent or other bank or trust company shall be deemed to be deposited in accordance with and subject to all of the provisions of this Resolution.

## ARTICLE VIII

### MISCELLANEOUS PROVISIONS

#### **Section 801. Tax Covenants.**

(a) The Agency covenants and agrees that (1) it will comply with all applicable provisions of the Code, including Sections 103 and 141 through 150, necessary to maintain the exclusion from federal gross income of the interest on the Bonds, and (2) it will not use or permit the use of any proceeds of Bonds or any other funds of the Agency, nor take or permit any other action, or fail to take any action, which would adversely affect the exclusion from federal gross income of the interest on the Bonds. The Agency will also adopt such other Resolutions or resolutions and take such other actions as may be necessary to comply with the Code and with other applicable future laws, in order to ensure that the interest on the Bonds will remain excluded from federal gross income, to the extent any such actions can be taken by the Agency.

(b) The Agency covenants and agrees that (1) it will use the proceeds of the Bonds as soon as practicable and with all reasonable dispatch for the purposes for which the Bonds are issued, and (2) it will not invest or directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the Agency in any manner, or take or omit to take any action, that would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Code.

(c) The Agency covenants and agrees that it will pay or provide for the payment from time to time of all arbitrage rebate to the United States pursuant to Section 148(f) of the Code and the Tax Certificate. This covenant shall survive payment in full or defeasance of the Bonds. The Tax Certificate may be amended or replaced if, in the opinion of Bond Counsel, such amendment or replacement will not adversely affect the exclusion from federal gross income of the interest on the Bonds.

(d) The Agency covenants and agrees that it will not use any portion of the proceeds of the Bonds, including any investment income earned on such proceeds, directly or indirectly, (1) in a manner that would cause any Bond to be a “private activity bond” within the meaning of Section 141(a) of the Code, or (2) to make or finance a loan to any Person.

(e) The foregoing covenants shall remain in full force and effect notwithstanding the defeasance of the Bonds pursuant to Article VII hereof or any other provision of this Resolution, until the final maturity date of all Bonds Outstanding.

**Section 802. Authorization and Approval of Site Lease and Facilities Agreement.** The Site Lease is hereby approved in substantially the form attached hereto as Exhibit E, the Facilities Agreement is hereby approved in substantially the form attached hereto as Exhibit F, and the Agency is hereby authorized to execute and deliver the Site Lease and the Facilities Agreement. The Chair or the Vice Chair

of the Agency is hereby authorized and directed to execute the Site Lease and the Facilities Agreement and to deliver the Site Lease and the Facilities Agreement to the County for and on behalf of and as the act and deed of the Agency. The Secretary of the Agency is hereby authorized and directed to attest to the Site Lease and the Facilities Agreement and to such other documents, certificates and instruments as may be necessary or desirable to carry out and comply with the intent of this Resolution.

**Section 803. Continuing Disclosure.** The Agency hereby (1) authorizes and directs that its Chair execute and deliver, on the date of issue of the Bonds, the Continuing Disclosure Certificate in such form as shall be satisfactory to Bond Counsel, and (2) covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Resolution, failure of the Agency to comply with the Continuing Disclosure Certificate shall not be considered an event of default hereunder; however, any Participating Underwriter (as such term is defined in the Continuing Disclosure Certificate) or any Beneficial Owner or any Registered Owner of a Bond may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Agency to comply with its obligations under this **Section 802**.

**Section 804. Amendments.** The rights and duties of the Agency and the Registered Owners, and the terms and provisions of the Bonds or of this Resolution, may be amended or modified at any time in any respect by resolution of the Agency with the written consent of the Registered Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, such consent to be evidenced by an instrument or instruments executed by such Registered Owners and duly acknowledged or proved in the manner of a deed to be recorded, and such instrument or instruments shall be filed with the Secretary, but no such modification or alteration shall:

- (a) extend the maturity of any payment of principal or interest due upon any Bond;
- (b) effect a reduction in the amount which the Agency is required to pay as principal of or interest on any Bond;
- (c) permit preference or priority of any Bond over any other Bond; or
- (d) reduce the percentage in principal amount of Bonds required for the written consent to any modification or alteration of the provisions of this Resolution.

Any provision of the Bonds or of this Resolution may, however, be amended or modified by resolution duly adopted by the governing body of the Agency at any time in any legal respect with the written consent of the Registered Owners of all of the Bonds at the time Outstanding.

Without notice to or the consent of any Registered Owners, the Agency may amend or supplement this Resolution 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.

Every amendment or modification of the provisions of the Bonds or of this Resolution, to which the written consent of the Registered Owners is given, as above provided, shall be expressed in a resolution adopted by the Board amending or supplementing the provisions of this Resolution and shall be deemed to be a part of this Resolution. A certified copy of every such amendatory or supplemental resolution, if any, and a certified copy of this Resolution shall always be kept on file in the office of the Secretary, and shall be made available for inspection by the Registered Owner of any Bond or a prospective purchaser or owner of any Bond authorized by this Resolution, and upon payment of the reasonable cost of preparing the same,

a certified copy of any such amendatory or supplemental resolution or of this Resolution will be sent by the Secretary to any such Registered Owner or prospective purchaser.

Any and all modifications made in the manner hereinabove provided shall not become effective until there has been filed with the Secretary a copy of such amendatory or supplemental resolution of the Agency, duly certified, as well as proof of any required consent to such modification by the Registered Owners of the Bonds then Outstanding. It shall not be necessary to note on any of the Outstanding Bonds any reference to such amendment or modification.

The Agency shall furnish to the Paying Agent a copy of any amendment to the Bonds or this Resolution which affects the duties or obligations of the Paying Agent under this Resolution.

**Section 805. Notices, Consents and Other Instruments by Registered Owners.** Any notice, consent, request, direction, approval or other instrument to be signed and executed by any Registered Owner may be in any number of concurrent writings of similar tenor and may be signed or executed by such Registered Owner in person or by an agent with written authorization. Proof of the execution of any such instrument or writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes of this Resolution, and shall be conclusive in favor of the Agency and the Paying Agent with regard to any action taken, suffered or omitted under any such instrument, namely:

(a) The fact and date of the execution by any person of any such instrument may be proved by a certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such instrument acknowledged before such officer the execution thereof, or by affidavit of any witness to such execution.

(b) The fact of ownership of Bonds, the amount or amounts, numbers and other identification of Bonds, and the date of holding the same shall be proved by the Bond Register.

In determining whether the Registered Owners of the requisite aggregate principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver under this Resolution, Bonds owned by the Agency shall be disregarded and deemed not to be Outstanding under this Resolution, except that, in determining whether the Registered Owners shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which the Registered Owners know to be so owned shall be so disregarded. Notwithstanding the foregoing, Bonds so owned which have been pledged in good faith shall not be disregarded as provided if the pledgee establishes to the satisfaction of the Registered Owners the pledgee's right so to act with respect to such Bonds and that the pledgee is not the Agency.

**Section 806. Further Authority.** The officers of the Agency, including the Chair and Secretary, are hereby authorized and directed to execute all documents and take such actions as they may deem necessary or advisable in order to carry out and perform the purposes of this Resolution and to make ministerial alterations, changes or additions in the foregoing agreements, statements, instruments and other documents herein approved, authorized and confirmed which they may approve, and the execution or taking of such action shall be conclusive evidence of such necessity or advisability.

**Section 807. Severability.** If any section or other part of this Resolution, whether large or small, is for any reason held invalid, the invalidity thereof shall not affect the validity of the other provisions of this Resolution.

**Section 808. Governing Law.** This Resolution shall be governed exclusively by and construed in accordance with the applicable laws of the State.

**Section 809. Effective Date.** This Resolution shall take effect and be in full force from and after its passage by the Board as provided by law.

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

PASSED: Dec. 30, 2008.

LANCASTER COUNTY CORRECTIONAL  
FACILITY JOINT PUBLIC AGENCY IN THE  
STATE OF NEBRASKA

ATTEST:

By: Bob Workman  
Secretary

By: Reiner New  
Chair

[S E A L]

**EXHIBIT A**  
**(FORM OF BOND)**

**EXCEPT AS OTHERWISE PROVIDED IN THE RESOLUTION (REFERRED TO HEREIN), THIS GLOBAL BOND MAY BE TRANSFERRED, IN WHOLE BUT NOT IN PART, ONLY TO ANOTHER NOMINEE OF THE SECURITIES DEPOSITORY (AS DEFINED HEREIN) OR TO A SUCCESSOR SECURITIES DEPOSITORY OR TO A NOMINEE OF A SUCCESSOR SECURITIES DEPOSITORY.**

**Registered**  
No. \_\_\_\_\_

**Registered**  
\$ \_\_\_\_\_

**UNITED STATES OF AMERICA**  
**STATE OF NEBRASKA**  
**LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY**  
**CORRECTIONAL FACILITY BOND, SERIES 2008**

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated Date</u>	<u>CUSIP Number</u>
	December 1, 20__	_____, 2009	

**REGISTERED OWNER: CEDE & CO.**

**PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS**

**LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY** (the "Agency"), a joint public agency duly organized and validly existing under and pursuant to the Joint Public Agency Act (Chapter 13, Article 25, Reissue Revised Statutes of Nebraska, the "Act") and the Lancaster County Correctional Facility Joint Public Agency Agreement dated September 9, 2008 (the "Agreement") duly authorized, executed and delivered by The County of Lancaster, Nebraska (the "County") and The City of Lincoln, Nebraska (the "City"), for value received, hereby acknowledges itself to be indebted and promises to pay to the Registered Owner specified above, or registered assigns, the Principal Amount stated above on the Maturity Date shown above unless called for redemption prior to such Maturity Date, and to pay interest thereon at the Interest Rate per annum shown above (computed on the basis of a 360-day year of twelve 30-day months) from the Dated Date shown above or from the most recent interest payment date to which interest has been paid or duly provided for, payable semiannually on June 1 and December 1 in each year, beginning June 1, 2009, until the Principal Amount has been paid.

The principal or redemption price of this Bond shall be paid at maturity or upon earlier redemption by check or draft mailed to the person in whose name this Bond is registered at the maturity or redemption date thereof, upon presentation and surrender of this Bond at the designated corporate trust administration office of **WELLS FARGO BANK, NATIONAL ASSOCIATION** (the "Paying Agent"). The interest



payable on this Bond on any interest payment date shall be paid to the person in whose name this Bond is registered on the registration books maintained by the Paying Agent at the close of business on the Record Date for such interest, which shall be the last business day of the month next preceding the month in which such interest payment date occurs. Such interest shall be payable by check or draft mailed by the Paying Agent to the address of such Registered Owner shown on the Bond Register. The principal or redemption price of and interest on this Bond shall be payable by check or draft in any coin or currency that, on the respective dates of payment thereof, is legal tender for the payment of public and private debts.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Resolution until the Certificate of Authentication hereon has been executed by the Paying Agent.

**IT IS HEREBY DECLARED AND CERTIFIED** that all acts, conditions and things required to be done and to exist precedent to and in the issuance of the Bonds have been done and performed and do exist in due and regular form and manner as required by the constitution and laws of the State of Nebraska; that the Agency has covenanted and agreed that it will caused to be levied and collected a direct annual tax, in addition to all other taxes, upon all taxable property in the County in accordance with the provisions of the Act and the Agreement sufficient in rate and amount to pay the principal or redemption price of and interest on the Bonds when due; and that the total indebtedness of the Agency, including this Bond and the series of which it is one, does not exceed any constitutional or statutory limitation.

**IN WITNESS WHEREOF, LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY** has caused this Bond to be executed by the manual or facsimile signature of the Chair of the Board and attested by the manual or facsimile signature of the Secretary of the Board.

**CERTIFICATE OF AUTHENTICATION**

**LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY**

This Bond is one of the Bonds of the issue described in the within-mentioned Resolution.

By: \_\_\_\_\_  
(facsimile signature)  
Chair

Registration Date: \_\_\_\_\_

**WELLS FARGO BANK, NATIONAL ASSOCIATION, Paying Agent**

**ATTEST**

By: \_\_\_\_\_  
Authorized Officer or Signatory

By: \_\_\_\_\_  
(facsimile signature)  
Secretary

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(FORM OF REVERSE SIDE OF BOND)

**ADDITIONAL PROVISIONS**

This Bond is one of an authorized series of bonds of the Agency designated "Limited Tax Facility Bonds, Series 2008," aggregating the principal amount of \$[Principal Amount] (the "Bonds"), issued by the Agency for the purpose of (a) paying the costs of constructing, equipping and furnishing a new correctional facility to be operated and managed by the County (collectively, the "Project") and (b) paying the costs of issuing the Bonds, under the authority of and in full compliance with the constitution and laws of the State of Nebraska, and pursuant to the Act, the Agreement and the Bond Resolution duly passed (the "Resolution") and proceedings duly and legally had by the Board of the Agency. Reference is hereby made to the Act, the Agreement and the Resolution to all of the provisions of each of which any Registered Owner hereof by the acceptance hereof thereby assents, for a description of the nature and extent of the security for the Bonds, the terms and conditions upon which the Agency may issue obligations thereunder, definitions of terms, the funds, taxes and revenues pledged to the payment of the principal or redemption price of and interest on the Bonds, the nature and extent and manner of enforcement of the pledge, the rights and remedies of the Registered Owner hereof with respect thereto; the terms and conditions upon which this Bond is issued; and the rights, duties and obligations of the Agency. Certified copies of the Resolution and the Agreement are on file at the office of the agency and at the Designated Office (defined in the Resolution) of the Paying Agent.

At the option of the Agency, Bonds or portions thereof maturing on or after December 1, 201\_\_ may be redeemed and paid prior to maturity at any time on or after \_\_\_\_\_, 201\_\_, as a whole or in part in such principal amounts and from such maturity or maturities as the Agency may determine (Bonds of less than a full maturity to be selected in multiples of \$5,000 principal amount in such equitable manner as the Paying Agent shall designate) at a redemption price equal to 100% of the principal amount being redeemed, plus accrued interest on such principal amount to the redemption date.

Notice of redemption, unless waived, is to be given by the Paying Agent by mailing an official redemption notice by first-class mail at least 30 days prior to the redemption date to the original purchaser of the Bonds and each registered owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register maintained by the Paying Agent. Notice of redemption having been given as provided, the Bonds or portions of Bonds to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the Agency defaults in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest.

The Bonds constitute general obligations of the Agency payable as to both principal and interest from ad valorem taxes which may be levied in accordance with the provisions of the Act and the Agreement upon all the taxable property within the County sufficient in rate and amount to pay the principal or redemption price of and interest on this Bond when and as the same become due.

The Bonds are issuable in the form of fully registered Bonds in the denominations of \$5,000 or any integral multiple thereof.

This Bond may be transferred or exchanged, as provided in the Resolution, only on the Bond Register kept for that purpose at the Designated Office of the Paying Agent, upon surrender of this Bond together with a written instrument of transfer or authorization for exchange satisfactory to the Paying Agent duly executed by the Registered Owner or the Registered Owner's duly authorized agent, and

thereupon a new Bond or Bonds in any authorized denomination of the same maturity and in the same aggregate principal amount shall be issued to the transferee in exchange therefor as provided in the Resolution and upon payment of the charges therein prescribed. The Agency and the Paying Agent may deem and treat the person in whose name this Bond is registered on the Bond Register as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or redemption price hereof and interest due hereon and for all other purposes.

The Bonds are being issued by means of a book-entry system with no physical distribution of bond certificates to be made except as provided in the Resolution. One Bond certificate with respect to each date on which the Bonds are stated to mature or with respect to each form of Bonds, registered in the nominee name of The Depository Trust Company (the "Securities Depository"), is being issued and required to be deposited with the Securities Depository and immobilized in its custody. The book-entry system will evidence positions held in the Bonds by the Securities Depository's participants, beneficial ownership of the Bonds in authorized denominations being evidenced in the records of such participants. Transfers of ownership shall be effected on the records of the Securities Depository and its participants pursuant to rules and procedures established by the Securities Depository and its participants. The Agency and the Paying Agent will recognize the Securities Depository nominee, while the registered owner of this Bond, as the owner of this Bond for all purposes, including (a) payments of principal or redemption price of and interest on this Bond, (b) notices and (c) voting. Transfer of principal or redemption price and interest payments to participants of the Securities Depository, and transfer of principal or redemption price and interest payments to beneficial owners of the Bonds by participants of the Securities Depository will be the responsibility of such participants and other nominees of such beneficial owners. The Agency and the Paying Agent will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by the Securities Depository, the Securities Depository nominee, its participants or persons acting through such participants. While the Securities Depository nominee is the owner of this Bond, notwithstanding the provision hereinabove contained, payments of principal or redemption price of and interest on this Bond shall be made in accordance with existing arrangements among the Agency, the Paying Agent and the Securities Depository.

**EXCEPT AS OTHERWISE PROVIDED IN THE RESOLUTION, THIS GLOBAL BOND MAY BE TRANSFERRED, IN WHOLE BUT NOT IN PART, ONLY TO ANOTHER NOMINEE OF THE SECURITIES DEPOSITORY OR TO A SUCCESSOR SECURITIES DEPOSITORY OR TO A NOMINEE OF A SUCCESSOR SECURITIES DEPOSITORY.**

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**ASSIGNMENT**

**FOR VALUE RECEIVED**, the undersigned hereby sells, assigns and transfers unto

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Print or Type Name, Address and Social Security Number  
or other Taxpayer Identification Number of Transferee

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_ agent to transfer the within Bond on the books kept by the Paying Agent for the registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

\_\_\_\_\_  
NOTICE: The signature to this assignment must correspond with the name of the Registered Owner as it appears upon the face of the within Bond in every particular.

Signature Guaranteed By:

\_\_\_\_\_  
(Name of Eligible Guarantor Institution as defined by SEC Rule 17 Ad-15 (17 CFR 240.17 Ad-15))

By: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT B**  
**BOND REGISTRAR AND PAYING AGENT AGREEMENT**  
**(See Document No. 10)**

**EXHIBIT C**  
**PRELIMINARY OFFICIAL STATEMENT**  
**(See Document No. 6)**

**EXHIBIT D**  
**FORM OF NOTICE OF SALE**  
**(See Document No. 8A)**



**EXHIBIT E**

**FORM OF SITE LEASE**

**(See Document No. 5B)**



**EXHIBIT F**  
**FORM OF FACILITIES AGREEMENT**  
**(See Document No. 5A)**

LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY

AMENDMENT TO BOND RESOLUTION

A RESOLUTION AMENDING THE BOND RESOLUTION ADOPTED  
DECEMBER 30, 2008 AUTHORIZING THE ISSUANCE OF NOT TO EXCEED  
\$65,000,000 CORRECTIONAL FACILITY BONDS

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BE IT RESOLVED BY THE BOARD OF LANCASTER COUNTY CORRECTIONAL  
FACILITY JOINT PUBLIC AGENCY IN THE STATE OF NEBRASKA, AS FOLLOWS:

FINDINGS AND DETERMINATIONS

The Board (the "**Board**") of Lancaster County Correctional Facility Joint Public Agency in the State of Nebraska (the "**Agency**") hereby finds and determines as follows:

1. The Agency adopted a bond resolution on December 30, 2008 (the "**Bond Resolution**") authorizing the issuance of not to exceed \$65,000,000 of the Agency's Correctional Facility Bonds to pay the costs of the Project. Capitalized terms used and not otherwise defined in this Amendment to Bond Resolution have the meanings assigned to those terms in the Bond Resolution.

2. Pursuant to **Section 211** of the Bond Resolution, the Agency conducted a public sale of the Bonds on January 22, 2009, at which two bids were received, both of which were determined by the JPA to be at a true interest cost higher than prevailing market conditions and all bids were rejected by the Agency.

3. After careful consideration of current economic and municipal bond market conditions, the Agency has determined that it necessary, desirable, advisable and in the best interests of the Agency to (a) to sell the Bonds in a negotiated sale to Ameritas Investment Corp. pursuant to a Bond Purchase Agreement and (b) amend the Bond Resolution to authorize such negotiated sale of the Bonds.

**Section 1.** The definition of "Purchaser" set forth in **Section 101** of the Bond Resolution is hereby amended to read as follows: "**Purchaser**" means Ameritas Investment Corp, the underwriter of the Bonds.

**Section 2.** **Section 211** of the Bond Resolution is hereby amended to read as follows:

**Section 211. Sale of Bonds.** The Bonds shall be sold not later than February 25, 2009 in a negotiated sale to the Purchaser upon the terms and conditions set forth in the Purchase Agreement (the "**Purchase Agreement**") between the Agency and the Purchaser, in substantially the form attached hereto as **Exhibit E**. The purchase price for the Bonds shall be not less than 99.0% of the principal amount thereof and the underwriting discount shall not exceed 0.75%. Notwithstanding anything in the Bond Resolution to the contrary, the true interest cost on the Bonds shall not exceed 4.60% per annum, calculated on the basis of a 360-day year consisting of twelve 30-day months. The Chair or Vice Chair, in consultation with and the approval of the City's Finance Director, is hereby authorized to execute and deliver the Purchase Agreement with such changes therein as such official deems appropriate, for and on behalf of the Agency, such officer's signature thereon being conclusive evidence of such official's and the Agency's approval thereof. In connection with the sales of the Bonds to the Purchaser, the Chair or the Vice Chair is hereby authorized to execute and deliver to the Purchaser a Temporary Termination (the

“**Temporary Termination**”) in the form or substantially the form attached hereto as **Exhibit F**, if deemed necessary by the Purchaser.

**Section 3.** Except as otherwise provided in this Amendment to Bond Resolution, the provisions of the Bond Resolution, as amended and supplemented to the date of this Amendment to Bond Resolution are hereby ratified, approved and confirmed and incorporated herein.

**Section 4.** If any one or more of the provisions of this Amendment to Bond Resolution should be determined by a court of competent jurisdiction to be contrary to law, then such provisions shall be deemed severable from the remaining provisions of this Amendment to Bond Resolution and the invalidity thereof shall in no way affect the validity of the other provisions of this Amendment to Bond Resolution.

**Section 5.** All resolutions or orders or parts thereof in conflict with the provisions of this Resolution are to the extent of such conflict hereby repealed, including, without limitation, original **Section 211** of the Bond Resolution.

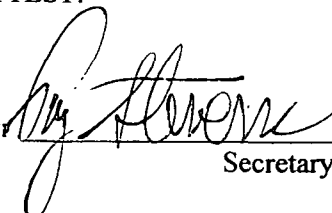
**Section 6.** This Amendment to Bond Resolution shall be in full force and effect from and after its passage as provided by law.

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

PASSED: January 26, 2009.

LANCASTER COUNTY CORRECTIONAL  
FACILITY JOINT PUBLIC AGENCY IN THE  
STATE OF NEBRASKA

ATTEST:

By:  \_\_\_\_\_  
Secretary

By:  \_\_\_\_\_  
Chair

**CERTIFICATE FIXING AND ESTABLISHING TERMS**

**\$64,390,000**

**Lancaster County Correctional Facility Joint Public Agency  
Correctional Facility Bonds, Series 2009**

**Dated: date of delivery  
(February 12, 2009)**

I, **BERNIE HEIER**, hereby certify that I am the duly qualified and acting Chair of the Lancaster County Correctional Facility Joint Public Agency (the “Agency”) and that pursuant to and in accordance with the provisions of **Section 212** of the Bond Resolution dated December 30, 2008 of the Agency, as amended by the Amendment to Bond Resolution adopted by the Agency on January 26, 2009 (collectively, the “Resolution”), I hereby fix and determine the principal amounts, principal maturities, interest rates, redemption dates, redemption prices and sale prices of the above-referenced bonds (the “Bonds”) of the Agency as follows:

**TERMS OF THE BONDS**

<u>Maturity (December 1)</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>
2009	\$ 2,430,000	1.00%	1.00%	100.000%
2010	2,390,000	2.00	1.50	100.885
2011	2,440,000	3.00	1.65	103.681
2012	2,510,000	2.25	1.78	101.719
2013	2,570,000	3.00	2.02	104.462
2014	2,645,000	3.00	2.28	103.890
2015	2,725,000	3.00	2.50	103.107
2016	2,805,000	3.00	2.73	101.883
2017	2,890,000	3.00	2.96	100.305
2018	2,980,000	4.00	3.19	106.768
2019	3,095,000	3.50	3.44*	100.492
2020	3,205,000	3.60	3.75	98.576
2021	3,320,000	5.00	4.03*	107.785
2022	3,485,000	5.00	4.23*	106.120
2023	3,660,000	5.00	4.43*	104.486
2028**	21,240,000	5.00	5.08	99.000

\*Yield to date of first optional redemption

\*\*Term Bonds

**Optional Redemption**

Bonds maturing on or prior to December 1, 2018 are not subject to redemption prior to their stated maturities. Bonds maturing on or after December 1, 2019 are subject to redemption prior to maturity at the option of the Agency in whole or in part, at any time on or after December 1, 2018 in such principal amounts and from such maturity or maturities as the Agency shall specify and by lot in integral multiples of \$5,000 within a maturity at a redemption price equal to 100% of the principal amount then being redeemed, together with accrued interest on such principal amount to the date fixed for redemption.

### **Mandatory Sinking Fund Redemption**

The Bonds maturing December 1, 2028 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 1, the following principal amounts of Bonds:

<u>Year</u>	<u>Principal Amount</u>
2024	\$3,845,000
2025	4,035,000
2026	4,240,000
2027	4,450,000
2028*	4,670,000

\*Final maturity

### **Sale of Bonds**

Pursuant to the authority delegated to me by the Resolution, the Bonds shall be dated the date of delivery hereof, shall be sold at a price of \$65,019,858.30 in accordance with the terms and conditions of the Bond Purchase Agreement dated January 27, 2009 (the “**Purchase Agreement**”) between the Agency and Ameritas Investment Corp. as underwriter of the Bonds (the “**Underwriter**”).

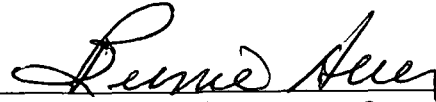
### **Official Statement**

Pursuant to the authority delegated to me by the Resolution, I hereby approve, authorize and adopt for and on behalf of the Agency the Official Statement of the Agency dated January 27, 2009 relating to the Bonds in the form delivered to the Underwriter.

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

**IN WITNESS WHEREOF**, the undersigned has executed and delivered this Certificate Fixing and Establishing Terms.

**DATED:** January 27, 2009.

A handwritten signature in cursive script, appearing to read "Dennis Auer", written over a horizontal line.

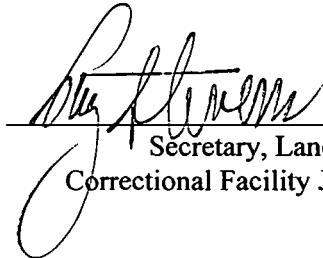
Chair, Lancaster County  
Correctional Facility Joint Public Agency

**CERTIFICATE**

I, **RAY STEVENS**, Secretary of the Lancaster County Correctional Facility Joint Public Agency (the "**Agency**"), hereby certify that attached hereto are true, correct and complete copies of the Facilities Agreement dated February 5, 2009 (the "**Agreement**") between the Agency and The County of Lancaster, Nebraska (the "**County**"), and the Site Lease dated February 5, 2009 (the "**Site Lease**") between the County and the Agency. I hereby further certify that neither the Agreement nor the Site Lease have been amended, supplemented, altered or revoked and that each remains in full force and effect in the form appended hereto.

**IN WITNESS WHEREOF**, I have executed this Certificate in my official capacity.

**DATED:** February 12, 2009.

  
\_\_\_\_\_  
Secretary, Lancaster County  
Correctional Facility Joint Public Agency

**Attachments:**

- Exhibit A – Agreement
- Exhibit B – Site Lease



## FACILITIES AGREEMENT

This **FACILITIES AGREEMENT**, dated February 5, 2009 (the "**Facilities Agreement**"), is by and between the **LANCASTER COUNTY CORRECTIONAL FACILITIES JOINT PUBLIC AGENCY** (the "**Agency**"), a joint public agency created pursuant to a Joint Public Agency Agreement Creating the Lancaster County Correctional Facilities Joint Public Agency, dated September 9, 2008 (the "**JPA Agreement**") executed and delivered by the Participants specified therein (the "**Participants**") in accordance with the Nebraska Joint Public Agency Act (Chapter 13, Article 23, Reissue Revised Statutes of Nebraska, as amended, the "**Act**"), and **THE COUNTY OF LANCASTER, NEBRASKA** (the "**County**").

### RECITALS

1. The Agency has been formed for the purpose of (a) constructing, equipping, furnishing and owning correctional facilities and related capital improvements (collectively, the "**Project**") described on **Exhibit A** attached hereto and made a part hereof, issuing bonds to finance the same (the "**Agency Bonds**"), and collecting payments and levying a tax as provided by the Act and the JPA Agreement to pay the principal or redemption price of and interest on the Agency Bonds, when and as the same shall become due; and (b) exercising any power, privilege or authority to provide for the acquisition, construction, equipping, furnishing, financing and owning such capital improvements or other projects upon or related to the Project as shall be determined by the governing body of the Agency (the "**Agency Board**") to be necessary, desirable, advisable or in the best interests of any of the Participants in the manner and as provided by the Act.

2. The Agency and the County have determined that it is necessary, desirable, advisable and in the best interests of the Agency and the County that the Agency pay the costs of acquiring and constructing the Project for and on behalf of the County and the City and that the Agency issue Agency Bonds for such purposes.

3. The Agency, the County and the City have further determined that it is necessary, desirable, advisable and in the best interests of the Agency, the County and the City that the Project be (a) owned by the Agency for so long as any Agency Bonds are outstanding, and (b) operated, maintained and managed by the County.

4. The Agency, the County and the City have agreed upon the terms pursuant to which the Agency will construct, equip, furnish and own, the Project for the criminal justice and correctional activities of the County, and the County will operate, maintain and manage the Project and that such agreement should be reduced to writing. The following words and phrases used in this Facilities Agreement shall have the following meanings, unless the context or use indicates another or different meaning or intent:

"**Bonds**" means the \$64,390,000 principal amount of the "Lancaster County Correctional Facilities Joint Public Agency Building Bonds, Series 2008" authorized to be issued pursuant to the Resolution and any bonds of the Agency issued to refund, directly or indirectly, the Bonds.

**“Construction Fund”** means the fund created by **Section 501** of the Resolution into which the net proceeds from the sale of the Bonds shall be deposited and disbursed as provided in **Sections 502** and **503** of the Resolution.

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

(a) Obligations incurred for labor and material and to contractors, builders and materialmen in connection with the 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 the Project;

(c) Taxes or other municipal or governmental charges lawfully levied or assessed against the 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 the Project.

**“Debt Service Fund”** means the fund created by **Section 510** of the Resolution into which the Tax Receipts shall be deposited as provided by **Article V** hereof.

**“Facilities Agreement”** means this Facilities Agreement and all amendments and supplements thereto.

**“Project”** means the real property and the capital improvements specified and identified in **Exhibit A**, attached hereto and made a part thereof by this reference.

**“Resolution”** means the Bond Resolution passed December 30, 2008, together with the Amendment to Bond Resolution passed January 26, 2008, by the Agency, authorizing the issuance of the Bonds.

**“Site”** means the real estate described on **Exhibit A** attached hereto, owned by the County.

**“Site Lease”** means the Site Lease dated February 5, 2009 between the County, as lessor, and the Agency, as lessee, with respect to the Site.

**NOW THEREFORE**, the County and the Agency in consideration of the mutual covenants and agreements contained herein, and contained in the JPA Agreement, do hereby covenant and agree as follows:

**Section 1. Agency to Provide Project.** The Agency hereby agrees that it will enter into the Site Lease and acquire, construct, equip and furnish the Project for the County on the Site and in accordance with final plans and specifications to be approved by the County.

The Agency hereby appoints the County as its agent for purposes of acquiring, constructing, equipping and furnishing the Project. The County shall, upon completion of the final plans and specifications, proceed to take bids and award contracts in compliance with the bidding procedures of County Purchasing Act to the extent required to complete the Facility.

The County hereby acknowledges that the costs of constructing, equipping and furnishing the Project 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 County 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 Project and the money in the Construction Fund. The County 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 County agrees that any contractor which provides work on the Project shall provide performance and payment bonds and builders' risk insurance, all as specified in **Section 7** hereof.

The County, 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 Project acquired pursuant to this 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 Project or any portion thereof without the approval of the County. At such time as no Bonds remain outstanding, the Agency shall convey the Project to the County for the sum of \$1.00 and other good and valuable consideration.

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

**Section 2. Payment of Costs of Construction.** The County and the Agency agree that all Costs of Construction shall be paid out of the Construction Fund or other available funds of the County. Disbursement requisitions to any contractor or vendor to be paid from the Construction Fund for Costs of Construction of the Project or to any provider of equipment and furnishings, including the final requisition, shall be approved by the County and the Agency, and such requisitions and evidence of approval thereof shall be submitted to the Treasurer for payment as provided in **Section 503** of the Resolution, and shall be accompanied by an architect's certificate if the requisition is for a payment due to any contractor. Requisition approvals by the Agency shall be evidenced by the Chair of the Agency and the Treasurer of the Agency pursuant to Section 13-2527(1) Reissue Revised Statutes of Nebraska, as amended.

**Section 3. Certificate of Acceptance.** Upon completion of the Project and acceptance thereof by the County, the fact of such completion and acceptance shall be evidenced by a Certificate of Completion signed by the Chair of the County Board of Commissioners. Upon such completion and acceptance, any amount remaining in the Construction Fund, after payment of all costs of completion of the Project, shall be transferred to the Debt Service Fund and applied as provided in the Resolution.

**Section 4. Dispute Resolution.** Any dispute with any contractor concerning the construction of the Project or interpretation of any contract shall be adjusted and settled by the County, and the County shall be liable and make payment to such contractor and all other persons for any judgment, claim or liability in connection with the Project in excess of the money in the Construction Fund.

**Section 5. Issuance of Bonds; Debt Service.** To pay the Costs of Construction of the Project and the costs of issuance thereof, the Agency agrees to issue the Bonds pursuant to the Resolution and to deposit the proceeds thereof as provided in **Section 502** of the Resolution.

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

**Section 6. County to Maintain, Operate and Manage the Project.** The County undertakes to maintain, operate and manage the Project at its own expense. In such connection the following terms shall apply:

(a) The County shall provide all necessary personnel to maintain, operate and manage the Project as a correctional facility. The Director of Corrections of the County is hereby designated as the chief operating official responsible for the day to day operations of the Project. The County shall provide all personnel, materials and supplies necessary to maintain, operate and manage the Project. All County personnel assisting with the operation of the Project shall be and will remain employees of the County 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 Project may be made from time to time as determined by the County to be necessary, desirable or advisable (the “**Improvements**”) and which are included as a part of the capital improvement program included in the County’s capital improvement budget and approved by the County. The County shall contract for work on such Improvements with contracts to be awarded and entered into pursuant to the bidding procedures of the County Purchasing Act, Section 23-3111, Reissue Revised Statutes of Nebraska, as amended. All costs of such Improvements shall be paid by the County.

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

In exercising its authority and carrying out its duties and functions the County 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.

**Section 7. Insurance.** The County shall maintain, or cause to be maintained, insurance upon the Project 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 Project;

(b) general public liability insurance against claims for bodily injury, death or property damage occurring on, in or about the Project with limits of not less than one million dollars for any person for any number of claims arising out of a single occurrence, five million dollars 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 "Act"), and excess insurance with limits of not less than two million 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 \$5,000,000.00.

(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 County and the Agency as insureds as their respective interests may appear. Insurance required in (a) and (d) above shall be payable to the County. The cost of any and all such insurance shall be treated as a cost of operation and maintenance of the Project and shall be borne by the County.

**Section 8. Utilities and Other Impositions.** The County shall provide for the payment of all utility charges, taxes (if any) and other impositions with respect to the Project or the operation thereof and all such charges or impositions shall be treated as a cost of operation and maintenance of the Project and be paid by the County.

**Section 9. Use of Project.** As long as any Bonds remain outstanding, the proceeds of which were used to acquire, construct, equip, or furnish the Project, the County shall not use the Project, or allow the use thereof, in any manner inconsistent with the original purpose for which the Project were acquired.

**Section 10. Term of Agreement.** This Agreement shall not terminate so long as Bonds remain outstanding under the terms of the Resolution. Either the County or the Agency may terminate this Agreement at any time after all of the Bonds are no longer outstanding under the terms of the Resolution.

**Section 11. Governing Law.** This Agreement shall be construed and enforced in accordance with the laws of the State of Nebraska.

**Section 12. Severability.** If for any reason any provision hereof shall be determined to be invalid or unenforceable, such invalidity or unenforceability shall not affect the other provisions hereof.

**Section 13. Assigns.** The covenants, agreements and conditions herein contained shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

**Section 14. Counterparts.** This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

**Section 15. Article and Section Headings: Table of Contents.** The headings or titles of the several sections hereof shall be solely for the convenience of reference and shall not affect the meaning or construction, interpretation or effect of this Agreement.

**Section 16. Amendment.** This Agreement may be amended in writing upon the approval of both parties.

*[The remainder of this page is intentionally blank.]*

IN WITNESS WHEREOF, the County and the Agency have caused this Agreement to be executed on their behalf by their respective officers thereunto duly authorized.

**LANCASTER COUNTY CORRECTIONAL  
FACILITIES JOINT PUBLIC AGENCY**

By: *Bennie Nees*  
Chair

**THE COUNTY OF LANCASTER, NEBRASKA**

By: *Bennie Nees*  
Chair

**EXHIBIT A**

**Legal Description**

Lots 73 and 74, Irregular Tract in the Northwest Quarter of Section 29, Township 10 North, Range 6 East of the 6<sup>th</sup> P.M., Lancaster County, Nebraska



Inst # 2009007116 Fri Feb 13 11:02:11 CST 2009  
Filing Fee: \$55.50  
Lancaster County, NE Assessor/Register of Deeds Office LEASE  
Cpockg  
Pages 11



Execution copy

559  
IT  
A

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**SITE LEASE**

**between**

**THE COUNTY OF LANCASTER, NEBRASKA,**

**lessor**

**and**

**LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY,**

**lessee**

1.50 hours

**Dated February 5, 2009**

---

*C. Moore & Bell*

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## SITE LEASE

This **SITE LEASE** (the "**Site Lease**"), dated February 5, 2009, by and between **THE COUNTY OF LANCASTER, NEBRASKA**, a county and political subdivision organized and existing under the laws of the State of Nebraska (together with its successors, the "**County**"), as lessor, and the **LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY**, a joint public agency duly organized and validly existing pursuant to the Joint Public Agency Act (Chapter 13, Article 25, Reissue Revised Statutes of Nebraska, as amended, "**Act**") and the Lancaster County Correctional Facility Joint Public Agency Agreement dated September 9, 2008 (the "**JPA Agreement**") between the County and The City of Lincoln, Nebraska (the "**City**"), as lessee:

### WITNESSETH:

**WHEREAS**, in order to carry out the essential governmental and proprietary functions of the County, the Board of Commissioners (the "**Board**") of the County deems it necessary, desirable, advisable and in the best interest of the County for the County to enter into the JPA Agreement to construct, equip and furnish correctional facilities and related improvements (collectively, the "**Project**") to be operated by the Lancaster County Corrections Department pursuant to a Facilities Agreement dated February 5, 2009 (the "**Facilities Agreement**") between the County and the Agency; and

**WHEREAS**, County has purchased the real estate described in **Exhibit A**, including any existing improvements thereon (the "**Real Property**") for the purpose of locating the Project thereon and is authorized to lease the Real Property to the Agency; and

**WHEREAS**, the Agency proposes to lease the Real Property from the County, to pay the cost of the Project and contract the operation of the Project to the County pursuant to the Facilities Agreement; and

**WHEREAS**, the Agency will obtain the funds required to pay the cost of the Project by the issuance of one or more series of bonds (the "**Bonds**") pursuant to a Bond Resolution adopted December 30, 2008, as amended by an Amendment to Bond Resolution adopted January 26, 2009 (collectively, the "**Bond Resolution**") by the governing body of the Agency, setting forth the terms of the Bonds, the security therefor and other terms with respect to the Bonds; and

**WHEREAS**, the County desires to lease the Real Property to the Agency for the rentals and upon the terms and conditions herein set forth;

**NOW, THEREFORE**, in consideration of the premises and the mutual covenants and agreements herein set forth, the County and the Agency do hereby covenant and agree as follows:

**Section 1. Representations by the County.** The County represents, warrants and covenants as follows:

(a) The County is a county and political subdivision organized and existing under the laws of the State of Nebraska.

(b) The lease of the Real Property by the County to the Agency and the construction, equipping and furnishing of the Project by the Agency, as provided in the Facilities Agreement, is necessary, desirable and in the public interest.

(c) The County, pursuant to a resolution adopted by the Board, has full power and authority to enter into the transactions contemplated by this Site Lease, the JPA Agreement and the Facilities Agreement and to carry out its obligations hereunder, and has been duly authorized to execute and deliver this Site Lease, the JPA Agreement and the Facilities Agreement and by proper action has duly authorized the execution and delivery of this Site Lease, the JPA Agreement and the Facilities Agreement.

(d) Neither the execution and delivery of this Site Lease, the JPA Agreement or the Facilities Agreement, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the County is now a party or by which the County is bound.

(e) The County has fee simple interest in the Real Property subject to easements and restrictions of record.

(f) The Real Property is not subject to any dedication, easement, right of way, reservation in patent, covenant, condition, restriction, lien or encumbrance that would prohibit or materially interfere with the use of the Project as contemplated by this Site Lease, the JPA Agreement or the Facilities Agreement.

(g) All taxes, assessments or impositions of any kind with respect to the Real Property, except current taxes, have been paid in full.

(h) The Real Property is properly zoned for the Project.

(i) The County has not made, done, executed or suffered, and warrants that it will not make, do, execute or suffer, any act or thing whereby the County's interests in any property now or hereafter included in the Project will be or may be impaired, changed or encumbered in any manner whatsoever except as permitted by this Site Lease, the JPA Agreement and the Facilities Agreement.

(j) There is no proceeding pending or threatened in any court or before any governmental authority or arbitration board or tribunal challenging the validity of the proceedings of the governing body of the County authorizing this Site Lease, the JPA Agreement and the Facilities Agreement or the power or authority of the County to enter into this Site Lease, the JPA Agreement and the Facilities Agreement or the validity or enforceability of Site Lease, the JPA Agreement and the Facilities Agreement or that, if adversely determined, would adversely affect the transactions contemplated by this Site Lease, the JPA Agreement and the Facilities Agreement or the interest of County under Lease, the JPA Agreement and the Facilities Agreement.

**Section 2. Lease.** The County hereby leases to the Agency, and the Agency hereby rents and leases from the County, the Real Property on the terms and conditions hereinafter set forth.

**Section 3. Term.** The term of this Site Lease will commence February 12, 2009, and will end on December 1, 2028, unless the term is extended or sooner terminated as hereinafter provided, but in no event will the term of this Site Lease end until all of the Bonds are no longer Outstanding (as that term is defined the Bond Resolution).

**Section 4. Rental.** As and for rental hereunder and in consideration for the leasing of the Real Property to the Agency, the Agency will take the following actions:

(a) simultaneously with the delivery of this Site Lease, enter into the Facilities Agreement;

(b) simultaneously with the delivery of this Site Lease, pay to the County the sum of \$1.00 and provide such other consideration as the Agency and County may agree; and

(c) deposit funds in the amount and in the funds and accounts established and as set forth in the Bond Resolution.

**Section 5. Assignments and Subleases.** It is intended that the Agency will hold this Site Lease and its rights hereunder for the benefit of Owners of the Bonds (as defined in the Bond Resolution). Without the written consent of the County, the Agency may assign this Site Lease and its rights hereunder in connection with any assignment of its rights under the Facilities Agreement, or lease or sublease the Project (a) if the Facilities Agreement Lease is terminated for any reason, or (b) if an Event of Default as defined in the Facilities Agreement has occurred.

**Section 6. Termination.** This Site Lease will terminate when no Bond remains Outstanding and unpaid under the Bonds Resolution.

**Section 7. Default.** The County will have the right to exclude the Agency from the Project or take possession of the Project (other than pursuant to the Facilities Agreement) or to terminate this Site Lease prior to the expiration of its term upon any default by the Agency hereunder.

**Section 8. Quiet Enjoyment.** At all times during the term of this Site Lease, the Agency will peaceably and quietly have, hold and enjoy all of the Project, and the County will provide to the Agency the ability to quietly have, hold and enjoy all of the Project, all of this being subject to the rights of the County under the Facilities Agreement.

**Section 9. No Merger.** No union of the interests of the County and the Agency herein will result in a merger of this Site Lease and the title to the Project or any part thereof, except as and to the extent provided in Section 5.

**Section 10. Taxes and Assessments.** The County covenants and agrees to pay any and all assessments of any kind or character and all taxes levied or assessed upon the Project.

**Section 11. Warranties, Covenants and Indemnities Regarding Environmental Matters.**

(a) As used in this Section 11, the following terms have the following meanings:

“**Environmental Laws**” means any now-existing or hereafter enacted or promulgated federal, state, local, or other law, statute, ordinance, rule, regulation or court order pertaining to (i) environmental protection, regulation, contamination or clean-up, (ii) toxic waste, (iii) underground storage tanks, (iv) asbestos or asbestos-containing materials, or (v) the handling, treatment, storage, use or disposal of Hazardous Substances, including without limitation the Comprehensive Environmental Response, Compensation and Liability Act and The Resource Conservation and Recovery Act, all as exist from time to time.

“**Hazardous Substances**” means all (i) “hazardous substances” (as defined in 42 U.S.C. §9601(14)), (ii) “chemicals” subject to regulation under Title III of the Superfund Amendments and Reauthorization Act of 1986, as amended from time to time (iii) natural gas liquids, liquefied natural gas or synthetic gas, (iv) any petroleum, petroleum-based products or crude oil or any fraction, or (v) any other hazardous or toxic substances, wastes or materials, pollutants, contaminants or any other substances or materials that are included under or regulated by any Environmental Law.

(b) The County warrants and represents to the Agency that (i) there has not, at any time during the ownership of the Real Property by the County, nor, to the knowledge of the County, at any time prior to the ownership of the Real Property by the County, been any “release” (as defined in 42 U.S.C. §9601(22)) by the County or any third party of any Hazardous Substances on, about, or near the Real Property (including without limitation adjacent or nearby properties) that could have come to be located upon the Real Property, or in the water or the groundwater thereon or thereunder; (ii) no part of the Real Property is or has been used at any time during the ownership of the Real Property by the County nor, to the knowledge of the County, at any time prior to the ownership of the Real Property by the County as the site of any handling, treatment, storage, refining or disposal of any Hazardous Substances; (iii) no part of the Real Property is or has been at any time during the ownership of the Real Property by the County nor, to the knowledge of the County, at any time prior to the ownership of the Real Property by the County, a “facility” (within the meaning of 42 U.S.C. §9607(a)); (iv) there are not now, nor has there been during the ownership of the Real Property by the County, nor, to the knowledge of the County, at any time prior to the ownership of the Real Property by the County, any underground storage tanks located in, on or about any of the Real Property; (v) no asbestos or asbestos-containing materials are located in or have been installed, used, incorporated into or disposed of on or about the Project; (vi) no polychlorinated biphenyls are located on or about the Project, including without limitation in any electrical transformers or in fluorescent light fixtures or ballasts; (vii) there are no conditions on or about the Real Property that are violative of any Environmental Laws; and (viii) no claims or demands have been asserted or made by any third parties arising out of, relating to or in connection with any Hazardous Substances on or about or allegedly on or about the Real Property for any injuries suffered or incurred or allegedly suffered or incurred by reason of any of the foregoing.

(c) The County will provide the Agency with copies of any notifications of releases of Hazardous Substances or of any environmental hazards or potential hazards that are given by or on behalf of the County to any federal, state or local or other agencies or authorities or that are received by the County from any federal, state or local or other agencies or authorities with respect to the Real Property. Such copies will be sent to the Agency concurrently with their being mailed or delivered to the governmental agencies or authorities or within ten days after they are received by the County.

(d) The County warrants and represents that it has provided the Agency with copies of all emergency and hazardous chemical inventory forms (hereinafter “Environmental Notices”) that relate to the Real Property previously given, as of the date hereof, by the County to any federal, state or local governmental authority or agency as required pursuant to the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C.A. §11001 *et seq.*, or any other Environmental Laws. The County will provide the Agency with copies of all Environmental Notices that relate to the Real Property subsequently sent to any such governmental authority or agency as required pursuant to the Emergency Planning and Community Right-to-Know Act of 1986 or any other Environmental Laws. Such copies of subsequent Environmental Notices will be sent to the Agency concurrently with their being mailed to any such governmental authority or agency.

(e) The County will comply with and operate and at all times use, keep and maintain the Project and every part thereof (whether or not such property constitutes a facility, as defined in 42 U.S.C. § 9601 *et. seq.*) in conformance with all Environmental Laws. Without limiting the generality of the foregoing, the County will not use, generate, treat, store, dispose of or otherwise introduce any Hazardous Substance into or on the Project or any part thereof nor cause, suffer, allow or permit anyone else to do so except in the ordinary course of the operation of the County’s business and in compliance with all Environmental Laws.

(f) The County agrees to indemnify, protect and hold harmless the Agency from and against any and all claims, demands, costs, liabilities, damages or expenses, including, without limitation, attorneys’

fees and expenses, arising from (i) any release (as defined above) or threat of a release, actual or alleged, of any Hazardous Substances, upon or about the Project or respecting any products or materials previously, now or thereafter located upon, delivered to or in transit to or from the Project, regardless of whether such release or threat of release or alleged release or threat of release has occurred prior to the date hereof or hereafter occurs and regardless of whether such release occurs as a result of any act, omission, negligence or misconduct of the County or any third party or otherwise, (ii) (A) any violation now existing (actual or alleged) of, or any other liability under or in connection with, any Environmental Laws relating to or affecting the Project, or (B) any now existing or hereafter arising violation, actual or alleged, or any other liability, under or in connection with, any Environmental Laws relating to any products or materials previously, now or hereafter located upon, delivered to or in transit to or from the Project, regardless of whether such violation or alleged violation or other liability is asserted or has occurred or arisen prior to the date hereof or hereafter is asserted or occurs or arises and regardless of whether such violation or alleged violation or other liability occurs or arises, as the result of any act, omission, negligence or misconduct of the County or any third party or otherwise, (iii) any assertion by any third party of any claims or demands for any loss or injury arising out of, relating to or in connection with any Hazardous Substances on or about or allegedly on or about the County, or (iv) any breach, falsity or failure of any of the representations, warranties, covenants and agreements contained in this Section 11. This subsection (f) will survive any termination of this Site Lease.

**Section 12. Waiver of Liability.** All liabilities under this Site Lease on the part of the Agency are solely liabilities of the Agency serving as such under the Bond Resolution, and, to the extent permitted by law, the County hereby releases each and every director, employee, agent, attorney and officer of the Agency of and from any personal or individual liability under this Site Lease. No director, employee, agent, attorney or officer of the Agency will at any time or under any circumstances be individually or personally liable under this Site Lease for anything done or omitted to be done by the Agency hereunder. The Agency will not be liable in connection with the performance of its duties hereunder, except for its own negligence or misconduct.

All liabilities under this Site Lease on the part of the County are solely corporate liabilities of the County as a political subdivision, and, to the extent permitted by law, the Agency hereby releases each and every official, member, employee or agent of the County of and from any personal or individual liability under this Site Lease. No official, member, employee or agent of the County will at any time or under any circumstances be individually or personally liable under this Site Lease for anything done or omitted to be done by the County hereunder.

**Section 13. Partial Invalidity.** If any one or more of the terms, provisions, covenants or conditions of this Site Lease will to any extent be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding or order or decree of which becomes final, none of the remaining terms, provisions, covenants and conditions of this Site Lease will be affected thereby, and each provision of this Site Lease will be valid and enforceable to the fullest extent permitted by law.

**Section 14. Notices.** All written notices to be given under this Site Lease will be given by mail to the party entitled thereto as set forth in the Bond Resolution.

**Section 15. Section Headings.** All section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision of this Site Lease.

**Section 16. Amendments, Changes and Modifications.** This Site Lease may not be effectively amended, changed, modified, altered or supplemented except with the written consent of the Agency and the County and as provided in the Bond Resolution.

**Section 17. Applicable Law.** This Site Lease will be governed by and construed in accordance with the laws of the State of Nebraska.

**Section 18. Execution.** This Site Lease may be executed in any number of counterparts, each of which will be deemed to be an original but all together will constitute but one and the same Site Lease. It is also agreed that separate counterparts of this Site Lease may be executed by the Agency and the County all with the same force and effect as though the same counterpart had been executed by both the Agency and the County.

**Section 19. Successors.** This Site Lease will be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Upon removal or resignation of the Agency, all moneys, estates, properties, rights, powers, trusts, duties and obligations of such Agency will vest in the successor Agency as provided in the Bond Resolution.

**Section 20. Complete Agreement.** This written agreement is a final expression of the agreement between the parties hereto and such agreement may not be contradicted by evidence of any prior oral agreement or of a contemporaneous oral agreement between the parties hereto. No unwritten oral agreement between the parties exists.

**Section 21. Electronic Transactions.** The parties agree that the transaction described herein may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents will be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

*[Remainder of Page Intentionally Left Blank.]*



IN WITNESS WHEREOF, the County and the Agency have caused this Site Lease to be executed by their respective officers thereunto duly authorized, all as of the day and year first above written.

**THE COUNTY OF LANCASTER, NEBRASKA**

ATTEST:

By: *Rennie Seeger*  
Chair

By: *Dan Jaker*

(SEAL)



ATTEST:

**LANCASTER COUNTY CORRECTIONAL  
FACILITY JOINT PUBLIC AGENCY**

By: *Rennie Seeger*  
Chair

By: *Debra Stevens*  
Secretary

ACKNOWLEDGMENT

STATE OF NEBRASKA )  
 ) SS.  
COUNTY OF LANCASTER )

The foregoing instrument was acknowledged before me this 10<sup>th</sup> day of February, 2009 by Bernie Heier, Chair of the Board of Commissioners of The County of Lancaster, Nebraska, on behalf of the County.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal in the County and State aforesaid the day and year last above written.



Farrah K. Hoffmeyer  
Notary Public

[SEAL]

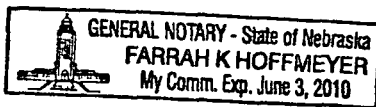
My commission expires: June 3, 2010

ACKNOWLEDGMENT

STATE OF NEBRASKA )  
 ) SS.  
COUNTY OF LANCASTER )

The foregoing instrument was acknowledged before me this 10<sup>th</sup> day of February 2009 by Bernie Heier, Chair of the Board of Lancaster County Correctional Facility Joint Public Agency, on behalf of the Agency.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal in the County and State aforesaid the day and year last above written.



Farrah K. Hoffmeyer  
Notary Public

[SEAL]

My commission expires: June 3, 2010

**EXHIBIT A**

**Legal Description**

Lots 73 and 74, Irregular Tract in the Northwest Quarter of Section 29, Township 10 North, Range 6 East of the 6<sup>th</sup> P.M., Lancaster County, Nebraska

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances may this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor may there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

**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.**

PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 16, 2009

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

**RATINGS: S&P: "AA+"  
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, interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal and Nebraska income tax purposes, except as described herein, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The Bonds have not been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Code. See "TAX MATTERS."*

**OFFICIAL STATEMENT**

**\$65,000,000\***

**LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY  
BUILDING BONDS, SERIES 2009**

Dated: date of delivery

Due: December 1, as set forth below

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 such 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 1 and December 1 of each year beginning on June 1, 2009, by Wells Fargo Bank, National Association, as bond registrar and paying agent (the "Registrar").

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

The Agency will use the proceeds of the Bonds to pay the costs of (a) constructing, equipping and furnishing new correctional facilities (the "Project"), to be owned by the Lancaster County Correctional Facility Joint Public Agency (the "Agency") and operated by The County of Lancaster, Nebraska (the "County") 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. See "PLAN OF FINANCING."

The Bonds are issued pursuant to the terms of a resolution duly passed by the Board of the Agency on December 30, 2008 (the "Resolution"). The principal or redemption price of and interest on the Bonds are limited tax general obligations of the Agency payable solely out of the proceeds of taxes levied by the Agency pursuant to the provisions of the JPA Act and a Joint Public Agency Agreement dated September 9, 2008 (the "JPA Agreement") between the County and The City of Lincoln, Nebraska (the "City") as described herein and in "APPENDIX E – SUMMARY OF PRINCIPAL DOCUMENTS – JPA Agreement." See also "THE AGENCY," "SECURITY" and "NEBRASKA LAWS RELATED TO BUDGETS AND TAXATION."

**MATURITY SCHEDULE**

<b>Maturity (December 1)</b>	<b>Principal Amount*</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP ( )</b>	<b>Maturity (December 1)</b>	<b>Principal Amount*</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP ( )</b>
2009	\$2,470,000					2019	\$3,135,000				
2010	2,570,000					2020	3,240,000				
2011	2,605,000					2021	3,355,000				
2012	2,650,000					2022	3,485,000				
2013	2,695,000					2023	3,620,000				
2014	2,750,000					2024	3,770,000				
2015	2,815,000					2025	3,950,000				
2016	2,885,000					2026	4,135,000				
2017	2,960,000					2027	4,330,000				
2018	3,045,000					2028	4,535,000				

**[UNDERWRITERS]**

The Bonds are offered in book entry form only when, as and if issued by the County and accepted by the Underwriters, subject to the approval of legality by Gilmore & Bell, P.C., Lincoln, Nebraska, Bond Counsel. It is expected that the Bonds in definitive form will be available for delivery through DTC on or about February 5, 2009.

The Date of this Official Statement is January \_\_, 2009.

\*Preliminary, subject to change.

**LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY**

Bernie Heier, Chair  
Robin Eschliman, Vice Chair  
Bob Workman, Secretary/Treasurer  
Chris Beutler

**THE COUNTY OF LANCASTER, NEBRASKA**

**Board of Commissioners**

Bernie Heier, Chair  
Larry Hudkins  
Deb Schorr  
Ray Stevens  
Bob Workman

**County Administration**

Dan Nolte, Clerk  
Richard Nuernberger, Treasurer  
Robert Agena, Assessor  
Gary Lacey, Attorney

**THE CITY OF LINCOLN, NEBRASKA**

**Mayor**

Christopher J. Beutler

**City Council**

Robin Eschliman (Chair)

Jon Camp  
Jonathan Cook  
Doug Emery

Dan Marvin  
John Spatz  
Ken Svoboda

**BOND COUNSEL**

Gilmore & Bell, P.C.,

**FINANCIAL ADVISOR**

Ameritas Investment Corp.

**REGISTRAR AND PAYING AGENT**

Wells Fargo Bank, National Association

**UNDERWRITER**

## REGARDING USE OF THIS OFFICIAL STATEMENT

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### AUTHORIZED INFORMATION AND REPRESENTATIONS

No dealer, broker, sales representative or other person has been authorized by the Agency, the County, the City or 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 County, the City 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 Underwriters. 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, their 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 County or the City since the date hereof.

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### 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 County 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.

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### 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 County or any other party plans to issue any updates or revisions to those forward-looking statements if or when the expectations, or events, conditions or circumstances upon which such statements are based occur.

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**THE UNDERWRITER INTENDS TO OFFER THE BONDS INITIALLY AT THE OFFERING PRICES SET FORTH ON THE 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.**

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## OFFICIAL STATEMENT

\$65,000,000\*

### LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY BUILDING BONDS, SERIES 2009

#### INTRODUCTION

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

#### **Purpose of the Official Statement**

The purpose of this Official Statement is to furnish information relating to (a) the Lancaster County Correctional Facility Joint Public Agency (the “Agency”), (b) The County of Lancaster, Nebraska (the “County”), (c) The City of Lincoln, Nebraska (the “City”), and (d) the Building Bonds, Series 2009 (the “Bonds”), of the Agency, dated the date of delivery thereof, to be issued in the aggregate principal amount of \$65,000,000.\*

#### **The Agency**

The Agency was created pursuant to the Joint Public Agency Act (Chapter 13, Article 23, Reissue Revised Statutes of Nebraska, as amended, the “JPA Act”) and a Joint Public Agency Agreement dated September 9, 2008 (the “JPA Agreement”) between the County and the City. The Agency was created for the purpose of financing the construction, equipping and furnishing of new correction facilities (the “Project”) on land owned by the County and leased to the Agency pursuant to a Site Lease dated February 5, 2009 (the “Site Lease”) between the Agency and the County. The Agency will own the Project until the Bonds are no longer outstanding, at which time the Agency will transfer ownership of the Project to the County. The County will operate and maintain the Project pursuant to a Facilities Agreement dated February 5, 2009 (the “Facilities Agreement”) between the County and the Agency. See “PLAN OF FINANCING” and APPENDIX E - SUMMARY OF PRINCIPAL DOCUMENTS.”

#### **The County**

The County is a county and political subdivision created and existing under the laws of the State of Nebraska (the “State”), including, without limitation, Section 22-155, Reissue Revised Statutes of Nebraska, as amended. See “THE COUNTY.”

#### **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. See “THE CITY.”

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\*Preliminary; subject to change.

## **The Bonds**

The Bonds will be issued pursuant to a Bond Resolution passed December 30, 2008 (the “**Bond Resolution**”) by the Board of the Agency for the purpose of (a) paying the costs of the Project, and (b) paying 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 limited tax general obligations of the Agency payable solely out of the proceeds of taxes levied by the Agency pursuant to the provisions of the JPA Act and the JPA Agreement. Under the JPA Agreement, the County has allocated to the Agency its authority to cause the levy of taxes within the taxing district of the County pursuant to Section 23 120(2), Reissue Revised Statutes of Nebraska, as amended, an amount equal to \$2,000,000 (the “**County Levy**”), and the City has allocated to the Agency its authority to cause the levy of taxes within the taxing district of the City, not to exceed \$3,500,000 annually pursuant to Section 15-202, Reissue Revised Statutes of Nebraska, as amended, in an amount which, when added to the County Levy, will be sufficient to pay the principal or redemption price of and interest on the Bonds when and as the same become due (the “**City Levy**”). See “**THE AGENCY**,” “**SECURITY**,” and “**NEBRASKA LAWS RELATED TO BUDGETS AND TAXATION**.”

## **Financial Statements**

Audited financial statements of the County, as of and for the year ended June 30, 2007, are included in “**APPENDIX B – COUNTY FINANCIAL STATEMENTS**.” These financial statements have been audited by Dana F. Cole & Company, LLP, independent certified public accountants, to the extent and for the periods indicated in their report, which is also included in “**APPENDIX B – COUNTY FINANCIAL STATEMENTS**.” The Audited financial statements of the City, as of and for the year ended August 31, 2007, are included in “**APPENDIX D – CITY FINANCIAL STATEMENTS**.” These financial statements have been audited by BKD, LLP, independent certified public accountants, to the extent and for the periods indicated in their report, which is also included in “**APPENDIX D – CITY FINANCIAL STATEMENTS**.”

## **Ratings**

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

## **THE AGENCY**

The Agency was created on September 9, 2008 pursuant to the JPA Act and the JPA Agreement to provide financing for the construction, equipping and furnishing of new correctional facilities on land owned by the County and leased to the Agency pursuant to the Site Lease. Under the JPA Agreement, the governing body of the Agency (the “**Board**”) consists of the Chair and Vice Chair of the County Board of Commissioners and the Mayor and Chair of the Council of the City. All actions may be taken by the affirmative vote of a majority of the Board, except that the issuance of bonds by the Agency must be approved by the Mayor and Council of the City and the Board of Commissioners of the County.

The members of the Board are as follows:

<u>Name</u>	<u>Office</u>	<u>Term Began</u>	<u>Term Expires</u>
Bernie Heier	Chair	September 15, 2008	January 5, 2010
Robin Eschliman	Vice Chair	September 15, 2008	May 18, 2009
Ray Stevens	Secretary/Treasurer	January 6, 2009	January 5, 2010
Chris Beutler	Member	September 15, 2008	May 16, 2011

### THE COUNTY

The County is a county and political subdivision created and existing under the laws of the State, including, without limitation, Section 22-155, Reissue Revised Statutes of Nebraska, as amended. The County encompasses approximately 864 square miles and is located in southeastern Nebraska. The County includes the cities of Lincoln, Hickman and Waverly and the villages of Bennet, Davey, Denton, Firth, Hallam, Malcolm, Panama, Pleasant Dale, Raymond, Roca and Sprague and has a current estimated population of approximately 276,000. See “APPENDIX A – THE COUNTY OF LANCASTER, NEBRASKA – GENERAL, ECONOMIC AND FINANCIAL INFORMATION” and “APPENDIX B – COUNTY FINANCIAL STATEMENTS.”

### 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 89 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 approximately 241,000. See “APPENDIX C – THE CITY OF LINCOLN, NEBRASKA – GENERAL, ECONOMIC AND FINANCIAL INFORMATION” and “APPENDIX D – CITY 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 (a) paying the costs of the Project and (b) paying the costs of issuing the Bonds.

#### The Project

The 2008 Project consists of constructing, equipping and furnishing a new adult correctional facility for the County. The facility will have 667 inmate beds together with support services covering a wide range of inmate needs. The new facility is being constructed on a 39 acre site in west Lincoln, which allows for future expansion of the facility as needed.

The Agency will deposit approximately \$\_\_\_\_\_ of the proceeds of the Bonds in the Construction Fund established under the Bond Resolution. The total estimated cost of the Project is approximately \$65,000,000. Construction is scheduled to commence in June, 2009 and is estimated to be completed not later than June 2011.

## 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:*

Principal Amount of Bond	\$
Less/Plus: Net Original Issue Discount/Premium	
Total	\$

### *Uses of Funds:*

Deposit to Construction Fund	
Costs of Issuance	
Total	\$

## 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 1 in the years and in the principal amounts set forth on the cover page of this Official Statement and bear interest calculated on the basis of a 360-day year consisting of twelve 30-day months at the rates per annum set forth on the cover page hereof. Interest is payable on June 1 and December 1 of each year, commencing June 1, 2009. The “**Record Date**” for each installment of interest shall be the 15<sup>th</sup> day of the month preceding the month in which such interest payment date occurs.

### 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 Wells Fargo Bank, National Association, 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**

**Mandatory Redemption.** The Bonds maturing December 1, 20\_\_ 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 1 the following principal amounts of Bonds:

<u>Year</u>	<u>Principal Amount</u>
	\$

\*

\*Final maturity

**Optional Redemption.** The Bonds maturing December 1, 2018 are not subject to optional redemption prior to their stated maturities. The Bonds maturing on and after December 1, 2019 are subject to optional redemption at the option of the Agency prior to the stated maturities thereof at any time on or after December 1, 2018 in such principal amounts and from such maturity or maturities as the Agency in its absolute discretion may determine, at a redemption price equal to 100% of the principal amount thereof plus accrued interest thereon to the date fixed for redemption.

**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**

The Bonds are payable solely from the levy of taxes authorized by the JPA Agreement as set forth herein. Under the JPA Agreement, the maximum amount which may be levied annually solely to pay principal and interest due on the Bonds is \$5,500,000. See “**JPA Agreement**” below. The average amount of yearly debt service payable by the Agency for the Bonds is estimated not to exceed \$4,750,000. The Bonds will be the only outstanding obligations of the Agency payable from the levy of taxes authorized by the JPA Agreement. The debt service payable on the Bonds will not require the Agency to levy taxes in excess of the levy limit set forth in the JPA Agreement.

#### **JPA Agreement**

Under the JPA Agreement, the County has irrevocably allocated and assigned to the Agency, for the period beginning September 15, 2008 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 to cause the levy of taxes within the taxing district of the County, beginning in the year 2008 for collection in 2009, for the purpose of paying the costs of the Project pursuant to Section 23 120(2), Reissue Revised Statutes of Nebraska, as amended, an amount equal to \$2,000,000 (the “**County Levy**”) to be levied solely for the purpose of paying the principal or redemption price of and interest on the Bonds.

Under the JPA Agreement, the City has irrevocably allocated and assigned to the Agency, for the period beginning September 15, 2008 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 to cause the levy of taxes within the taxing district of the City, not to exceed \$3,500,000 annually, beginning in the year 2008 for collection in 2009, for the purpose of paying the costs of the Project pursuant to Section 15-202, Reissue Revised Statutes of Nebraska, as amended, in an amount which, when added to the County Levy, will be sufficient to pay the principal or redemption price of and interest on the Bonds when and as the same become due (the “**City Levy**”), solely for the purpose of paying the principal or redemption price of and interest on the Bonds.

The County has agreed in the JPA Agreement to implement the County Levy and the City Levy as requested by the Agency as may be required to pay the principal or redemption price of and interest on the Bonds as the same become due, and may not levy less than the Agency’s lawful requested or certified levy, as long as any Bonds remain outstanding. The County has further agreed to collect and disburse to the Registrar all taxes levied by the Agency.

See “**APPENDIX C - SUMMARY OF PRINCIPAL DOCUMENTS - JPA Agreement.**”

## NEBRASKA LAWS RELATED TO BUDGETS AND TAXATION

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

The Legislature has also enacted Section 77-3442, Reissue Revised Statutes of Nebraska, as amended, and related sections (collectively, the “**Levy Limitations**”), to provide overall limitations on the property tax levies of political subdivisions. The Levy Limitations expressly exclude any property taxes levied for bonded indebtedness. The maximum levy for the County is presently set at 45¢ per \$100 of taxable valuation with an additional 5¢ per \$100 of taxable valuation available to provide for the County’s share of revenue required under any agreement executed by the City with another governmental unit pursuant to the Interlocal Cooperation Act or the Joint Public Agency Act. The County may allocate up to 15¢ of its authority to other political subdivisions subject to allocation of authority under Section 77-3443(1), Reissue Revised Statutes of Nebraska, as amended, to levy taxes as authorized by law which do not collectively exceed 15¢ per \$100 of taxable valuation on any parcel or item of taxable property. The County may exceed the Levy Limitations or a final levy allocation by an amount not to exceed a maximum levy approved by a majority of registered voters. Property tax levies for bonded indebtedness approved according to law and secured by a levy on property are not included in the Levy Limitations.

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

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

## 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 Society or the County or the right or title of any officer to his or her respective offices, or the legality of any official act in connection with the authorization, issuance and sale of the Bonds, or the constitutionality or validity of the Bonds or any of the proceedings had in relation to the authorization, issuance or sale thereof, or the levy and collection of a tax to pay the principal and interest thereof, or which might affect the Agency’s ability to meet its obligations to pay the Bonds.

## Approval of Legality

All legal matters incident to the authorization and issuance of the Bonds are subject to the approval of Gilmore & Bell, P.C., Lincoln, Nebraska, Bond Counsel. Certain legal matters will be passed upon for the Agency by Gilmore & Bell, P.C., Lincoln, Nebraska. 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 County and certified public accountants, 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

### Opinion of Bond Counsel

***Federal and Nebraska Tax Exemption.*** In the opinion of Gilmore & Bell, P.C., Bond Counsel, under existing law, the interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal and Nebraska income tax purposes. 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. The opinions set forth in this paragraph are subject to the condition that the Agency 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 and Nebraska income tax purposes. The Issuer and the Borrower 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.

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

***Original Issue Discount.*** In the opinion of Bond Counsel, under existing law, the original issue discount in the selling price of each Bond purchased in the original offering at a price less than the principal amount thereof, to the extent properly allocable to each owner of such Bond, is excludable from gross income for federal income tax purposes with respect to such owner. The original issue discount is the excess of the stated redemption price at maturity of such Bond over its initial offering price to the public (excluding underwriters and intermediaries) at which price a substantial amount of the Bonds were sold. Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to an owner during any accrual period generally equals (A) the issue price of such Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (B) the yield to maturity on such 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 (iii) any interest payable on such Bond during such accrual period. The amount of original issue discount so 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 such Bond. Owners of any Bonds purchased at an original issue discount should consult with their tax advisors regarding the determination and treatment of original issue discount for federal income tax purposes and the state and local tax consequences of owning such Bonds.

***Original Issue Premium.*** An amount equal to the excess of the purchase price of a Bond over its stated principal amount at maturity constitutes premium on such Bond. An owner of a Bond must amortize any premium over such Bond’s term using constant yield principles, based on the Bond’s yield to maturity. As premium is amortized, the owner’s basis in such Bond and the amount of tax-exempt interest received will be reduced by the amount of



amortizable premium properly allocable to such owner. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of such Bond prior to its maturity. Even though the owner's basis is reduced, no federal income tax deduction is allowed. Owners of any Bonds purchased at a premium, whether at the time of initial issuance or subsequent thereto, should consult their individual tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Bonds.

**No Other Opinions.** Bond Counsel expresses no opinion regarding other federal, state or local tax consequences arising with respect to the Bonds.

### **Other 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.

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

Generally, 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 Series 2009 Bonds.

### **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 County, the Society, 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, the County and the Society will furnish to the Underwriters a certificate which shall state, among other things, that to the best knowledge and belief of such officer,

this Official Statement (and any amendment or supplement hereto) as of the date of sale and as of the date of delivery of the Bonds does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements herein, in light of the circumstances under which they were made, not misleading in any material respect.

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

### **Continuing Disclosure**

The Agency has covenanted for the benefit of the Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the Agency to by not later than the March following the end of the Agency's fiscal year (presently June 30) (the "**Annual Report**"), commencing with the report for the 2008 Fiscal Year, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report and material event notices will be filed by the Agency under the Electronic Municipal Market Access system established by the Municipal Securities Rulemaking Board. The proposed form of the Agency's Continuing Disclosure Certificate is attached to this Official Statement as "**APPENDIX F – FORM OF CONTINUING DISCLOSURE CERTIFICATE.**" These covenants have been made in order to assist the Underwriters in complying with SEC Rule 15c2-12(b)(5) (the "**Rule**").

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

\* \* \* \* \*

**APPENDIX A**

**THE COUNTY OF LANCASTER, NEBRASKA  
GENERAL, ECONOMIC AND FINANCIAL INFORMATION**

# LANCASTER COUNTY

## General Information

Lancaster County is located in southeastern Nebraska, near the center of population of the State. It is approximately midway between Chicago and Denver and approximately 215 miles northwest of Kansas City. Its area is 864 square miles.

## Population

The 1960 population of the County was 155,272; the 1970 population was 167,972; and the 1980 census showed a population of 192,844. The 1990 census count was 213,641 which reflects a 10.8 % increase over 1980; the 2000 census count was 250,291 which reflects a 17.2% increase over 1990. The major population of the County in 2000 was the City of Lincoln. The City of Lincoln's 2000 population was 225,581 which represents approximately 90% of the County's total population. The current population of the County is estimated at 275,665.

## County Government

Lancaster County is governed by a County Board consisting of five Commissioners. One Commissioner is chosen by the others to serve as Chair of the Board. The Commissioners are the legislative and administrative body of the County.

County government has a broad range of responsibility, including the present Lancaster Manor care facility, the Community Mental Health Center, justice and corrections systems and the County's highway and road system. The County has cooperated actively with the City of Lincoln in one joint governmental building and in other specific areas of responsibility, including health, planning, emergency management, information services, tax collection, parks and jail.

## Authority to Levy Property Taxes

Section 77-3442 (8), Reissue Revised Statutes of Nebraska, as amended, grants to counties the authority to levy an ad valorem tax not to exceed 50¢ per \$100 of actual value (the "General Fund Levy") for general governmental purposes, provided that said maximum tax rate may be exceeded upon an approving vote of the electors of the County.

The Nebraska Legislature has enacted legislation intended to reduce the level of property taxation and political subdivision expenditures in the State. The two measures of principal concern are LB 299 (enacted in 1996 and recently modified and extended by LB 989), which provides for an overall limitation on general fund budget expenditures for cities and counties, and LB 1114, which reduces the rate of taxation for general property taxes authorized for cities and counties.

Among other provisions, LB 989 provides that for all fiscal years beginning on or after July 1, 1998, no city or county (including the County) may adopt a budget containing a total of budgeted restricted funds more than the last prior year's total of budgeted restricted funds, plus allowable growth plus a basic allowable growth percentage (initially 2.5% until adjusted by the Legislature). Restricted funds generally include property taxes, payments in lieu of property taxes, local option sales taxes, state aid and 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. Allowable growth includes the percentage increase in taxable valuation in excess of the base limitation established under LB 989 due to improvement to real property as a result of new construction, additions to existing building, any improvements to real property which increase the value of such property and any increase in valuation due to annexation 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 LB 1114 the rates for levying property taxes will be reduced for each type of governmental unit in the State. The rate for counties, such as Lancaster, is no more than 50¢ per \$100 of taxable valuation, except that 5¢ per \$100 of taxable valuation may only be levied to provide financing for a county's share of revenue required under an agreement executed pursuant to the Interlocal Cooperation Act. A county may allocate up to 15¢ of its authority to all other political subdivisions not specifically covered in Section 1 of LB 1114 to levy taxes as authorized by law which do not collectively exceed 15¢ per \$100 of taxable valuation on any parcel or item of taxable property. Property tax levies to pay bonded debt or for pre-existing lease-purchase contracts approved prior to July 1, 1998, are not included in such limitation. The County's total levy (including bond levy of 0.6455¢) for fiscal year 2008 is 26.83¢ which is expected to produce \$50,396,037 in collected taxes.

### **Transportation**

Lancaster County is served by Interstate 80, U.S. Routes 6, 34 and 77 and State Highways 2 and 33. Interstate 80 permits uninterrupted travel between both coasts.

Scheduled air service is provided to the Lincoln Municipal Airport by United Airlines, Northwest and Allegiant. The City's airport has three runways (one of which is 12,900 feet in length) which can accommodate any type of modern aircraft.

Railroad transportation facilities include those of the Burlington Northern and Union Pacific Railroads. Bus transportation is furnished by one scheduled carrier.

### **Government Center**

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

Nebraska State Fair and the Nebraska Penal Complex.

Federal agencies in Lancaster County include regional offices of the U.S. Department of Agriculture (Mid-west Regional Technical Service Center) and of the Veterans Administration, as well as the state offices of other federal agencies. Lancaster County offices are located in Lincoln, the County seat.

### **Budgetary Process**

Nebraska State Law requires the County to prepare an annual budget. The Board of Commissioners, with assistance from the Budget and Fiscal Director, prepares a proposed budget after reviewing and analyzing requests from County agencies. The proposed budget is printed and made available to interested citizens, and a public hearing is held for input concerning the proposed budget. After the hearing, the Board of Commissioners may revise the items contained in the proposed budget if considered necessary. Following the adoption of the budget and not later than October 15, the Board of Commissioners must fix the tax rates. The first half of real estate and personal property tax payable becomes delinquent April 1 and the second half August 1.

### **Debt Management**

The County is authorized by law to levy taxes in an amount not to exceed 50¢ per \$100 of actual valuation without an approving vote of the electorate. The County's 2009 tax levy is 26.83¢ per \$100 of actual valuation. Additionally, Section 23-120(3)(b), Reissue Revised Statutes of Nebraska, as amended ("Section 23-120(3)(b)"), permits any county which has no bonded indebtedness payable from its general fund levy, on the day it first initiates a project, to levy a tax in an amount not exceeding 5.2¢ on each \$100 of actual valuation (the "5.2¢ levy") to provide a fund for the erection or repair of a courthouse, jail, or other county buildings for a period of not exceeding ten years and to appropriate the funds from such 5.2¢ levy for such purposes without voter approval. Based upon the County's current valuation, the 5.2¢ levy represents potential tax revenues of \$9,768,869.

All Nebraska property taxes are levied in October for the tax year beginning on the following January 1, with one-half of such taxes becoming delinquent on April 1 of the tax year and the remaining one-half on August 1 of the tax year.

*Obligations Payable From 5.2¢ Levy.* The County presently has outstanding \$2,940,000 aggregate principal amount of its limited tax bonds, payable from the 5.2¢ levy. Also secured by the 5.2¢ levy is that portion of debt service on 50% of bonds issued by the Lincoln-Lancaster County Public Building Commission for the expansion and improvement of the Lincoln-Lancaster County Health Department facility. The County share of these bonds outstanding at June 30, 2008 was \$5,160,000. For its fiscal year ending June 30, 2009, the County has levied 0.6455¢ of its 5.2¢ levy in order to pay debt service on obligations previously issued to finance facilities designated by it as "projects" under §23-120, Reissue Revised Statutes of Nebraska, as amended. It is expected that the County will designate various future "projects" as needed to be funded from the proceeds of the 5.2¢ levy and that portions of such "projects" may be accelerated or delayed if needed to make

allowances for "projects" requiring a multi-year levy.

*Obligations Payable From General Fund Levy.* The County has leased Lancaster Manor Project from the Lancaster County Leasing Corporation. Although the County's Lancaster Manor lease rentals are, to the extent not paid from other available sources, payable from the General Fund Levy, revenues from the operation of Lancaster Manor have been sufficient to date to permit the County to pay such rentals without resort to General Fund Levy tax revenues. The Lancaster Manor bonds were paid off July 15, 2008.

*Lincoln-Lancaster County Public Building Commission Bonds.* The Lincoln-Lancaster County Public Building Commission (the "Commission"), organized pursuant to Chapter 13, Article 13, Reissue Revised Statutes of Nebraska, as amended, was established to design, construct, maintain, operate, improve, remodel, remove and reconstruct projects for use by both the City of Lincoln, Nebraska, and the County. As of June 30, 2008, the Commission has \$46,565,000 in outstanding principal amount of bonds (the "Commission Bonds"), with an average aggregate annual debt service requirement of approximately \$4,000,000 and a final maturity on December 1, 2026. The Commission receives, and expects to receive in the future, lease rental revenues from the City and the County which are adequate to meet all of its debt service requirements upon such Commission Bonds. The County is presently responsible for annual lease rental payments to the Commission averaging \$2,298,800 per year. The City and the County may from time to time agree to a reallocation of space in such facilities and portions of such facilities not required by either of them is permitted to be leased to other governmental entities.

To the extent not paid from other sources, the County is obligated to levy taxes sufficient to pay its pro rata share of debt service on such Commission Bonds, as determined by dividing the amount of square footage occupied by each of the City and the County by the sum of the square footage occupied by both and applying the resulting percentages to the total of such debt service and expenses.

### **Debt Payment Record**

The County has never defaulted on its obligations to pay principal of or interest on its indebtedness.

**SCHEDULE OF DIRECT AND UNDERLYING DEBT  
LANCASTER COUNTY, NEBRASKA**

Direct Debt

Actual Valuation (2008) 18,786,286,695

Net Direct Bonded Debt as of June 30, 2008

Lancaster Manor 2,775,000

Series 2004 Various Projects 2,940,000

Total Direct Debt 5,715,000

Underlying

Lincoln-Lancaster County Public Building Commission 46,565,000

Airport Authority of the City of Lincoln, Nebraska 6,245,000

Lancaster County Fairgrounds Joint Public Agency 9,440,000

62,250,000

<u>Cities and Villages - Lancaster County</u>	<u>2008 Valuation</u>	<u>Bonded Debt (1)</u>	<u>Applicable to County</u>
Bennet	36,149,710	2,208,679	2,208,679
Davey	8,076,657	-	-
Denton	9,933,309	-	-
Firth	25,259,860	26,550	26,550
Hallam	15,914,698	400,998	400,998
Hickman	80,943,315	5,554,097	5,554,097
Lincoln (2)	15,935,572,737	128,581,000	128,581,000
Malcolm	19,438,683	245,000	245,000
Panama	12,698,341	150,000	150,000
Raymond	8,817,684	191,058	191,058
Roca	10,822,183	-	-
Sprague	7,036,442	-	-
Waverly	215,138,607	1,935,000	1,935,000
			139,292,382

(1) As of October 1, 2008, unless otherwise noted

(2) G.O. debt as of August 31, 2008

This debt is rated AAA by Standard & Poor's and Aaa by Moody's

Source: City of Lincoln

<u>Sanitary and Improvements District (3)</u>	<u>2008 Valuation</u>	<u>Bonded Debt (4)</u>	<u>Applicable to County</u>
S.I.D. #8 (Walton)	2,561,221	40,000	40,000

(3) Only districts with bonded debt are listed

(4) As of July 1, 2008



<u>School Districts</u>	<u>% Applicable to County (5)</u>	<u>Bonded Debt (6)</u>	<u>Applicable to County</u>
Lincoln No. 1	100.00%	249,065,000	249,065,000
Waverly No. C-145	84.16%	26,660,000	22,437,056
Malcolm No. 148	98.57%	3,050,000	3,006,385
Norris No. 160	87.03%	11,235,000	9,777,821
Raymond Central No. 161	54.12%	4,000,000	2,164,800
Palmyra No. OR-1 (Otoe Co.)	54.84%	2,225,000	1,220,190
Crete No. 2 (Saline Co.)	38.39%	3,995,000	1,533,681
Wilber-Clatonia No. 82 (Saline Co.)	1.39%	4,565,000	63,454
Milford No. 5 (Seward Co.)	10.37%	2,290,000	237,473
D. Freeman No. 34 (Gage Co.)	0.55%	5,300,000	29,150
			<u>289,535,009</u>

(5) Percent of debt applicable to County is based on 2008 Valuations for school districts

(6) As of September 1, 2009

<u>Rural Fire Protection Districts (7)</u>	<u>2008 Valuation</u>	<u>Bonded Debt (8)</u>	<u>Applicable to County</u>
Bennet	271,762,254	60,787	56,994
Ceresco	136,751,642	132,048	60,372
Eagle-Alvo	208,045,571	120,000	36,708
Greenwood	86,712,849	40,000	4,080
Hallam	96,306,500	472,016	374,450
Hickman	294,088,440	190,000	190,000
Highland	71,452,153	84,692	84,692
Raymond	228,373,480	110,000	110,000
Seward	1,085,205,303	740,000	44,178
Southwest	445,690,487	1,195,000	1,195,000
Waverly	254,018,346	35,000	35,000
			<u>2,191,474</u>

(7) Only districts with bonded debt are listed

(8) As of July 1, 2008

Total Direct/Underlying G.O. Bonded Debt	499,023,865
Ratio of Total Direct & Underlying G.O. Bonded Debt to Actual Valuation	2.66%

LANCASTER COUNTY

HISTORICAL VALUATIONS AND LEVIES

Year	Valuation	County Operating		Debt Service		Building Fund		Jail Savings Fund		Total	
		Levy	Tax Amount	Levy	Tax Amount	Levy	Tax Amount	Levy	Tax Amount	Levy	Tax Amount
1999-00	10,822,896,923	23.05	24,944,904	2.41	2,611,283	0.38	406,139			25.84	27,962,326
2000-01	11,381,932,044	23.99	27,309,511	2.44	2,775,498	0.00	-			26.43	30,085,009
2001-02	12,621,053,086	24.27	30,625,225	1.31	1,658,600	0.25	314,099			25.83	32,597,924
2002-03	13,081,633,040	25.67	33,586,533	1.16	1,515,073	0.00	-			26.83	35,101,606
2003-04	14,958,476,056	25.33	37,879,025	1.43	2,144,733	0.07	109,835			26.83	40,133,593
2004-05	15,375,859,915	26.19	40,262,117	1.75	2,696,631	0.03	47,532			27.97	43,006,280
2005-06	15,932,331,879	27.46	43,746,071	0.86	1,369,996	0.09	147,688			28.41	45,263,755
2006-07	18,045,787,841	25.56	46,117,157	0.91	1,646,830	0.08	147,228			26.55	47,911,215
2007-08	18,343,871,223	25.81	47,342,847	0.66	1,212,554	0.08	147,228	1.00	1,834,387	27.55	50,537,016

**LANCASTER COUNTY  
PROPERTY TAXES LEVIED AND COLLECTED**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>TAX CERTIFIED BY THE ASSESSOR</b>					
Real Estate	274,410,927	286,843,042	303,066,098	333,093,322	324,742,225
Personal Property	13,475,101	13,046,023	12,970,963	12,130,807	12,440,933
Specials	4,990,287	4,482,774	4,573,499	4,495,557	4,482,738
Total	<u>292,876,315</u>	<u>304,371,839</u>	<u>320,610,560</u>	<u>349,719,686</u>	<u>341,665,896</u>
<b>CORRECTIONS</b>					
Additions	66,163	648,225	559,946	196,980	1,792,298
Deductions	(595,602)			(1,020,632)	
Net Corrections	<u>(529,439)</u>	<u>648,225</u>	<u>559,946</u>	<u>(823,652)</u>	<u>1,792,298</u>
<b>CORRECT CERTIFIED TAX</b>	<u>292,346,876</u>	<u>305,020,064</u>	<u>321,170,506</u>	<u>348,896,034</u>	<u>343,458,194</u>
<b>NET TAX COLLECTED BY COUNTY TREASURER DURING FISCAL YEAR ENDED:</b>					
June 30, 2004	163,580,726				
June 30, 2005	128,309,064	170,165,035			
June 30, 2006	64,364	134,389,743	177,334,642		
June 30, 2007	292,816	380,323	143,633,366	191,774,975	
June 30, 2008	8,022	18,056	125,053	156,938,174	188,941,983
Total Net Tax Collections	<u>292,254,992</u>	<u>304,953,157</u>	<u>321,093,061</u>	<u>348,713,149</u>	<u>188,941,983</u>
<b>TOTAL UNCOLLECTED TAX</b>	<u>91,884</u>	<u>66,907</u>	<u>77,445</u>	<u>182,885</u>	<u>154,516,211</u>
<b>PERCENTAGE OF UNCOLLECTED TAX AS OF JUNE 30, 2008</b>	<u>0.031%</u>	<u>0.022%</u>	<u>0.024%</u>	<u>0.052%</u>	<u>44.988%</u>

Source: Lancaster County Treasurer

# LANCASTER COUNTY

## HISTORICAL BUILDING PERMITS

<u>Year</u>	<u>Residential Construction</u>		<u>Hospitals, Churches, Public Works, Educational</u>		<u>Other Commercial</u>		<u>Total</u>	
	<u>Number of Permits</u>	<u>Value</u>	<u>Number of Permits</u>	<u>Value</u>	<u>Number of Permits</u>	<u>Value</u>	<u>Number of Permits</u>	<u>Value</u>
1998	2,878	205,846,760	79	25,094,352	1,432	120,614,872	4,389	351,555,984
1999	2,946	213,193,201	70	21,138,978	1,478	165,704,831	4,494	400,037,010
2000	3,027	223,067,547	81	21,874,896	1,334	198,063,318	4,442	443,005,761
2001	3,047	239,964,956	104	32,876,462	1,233	159,871,067	4,384	432,712,485
2002	3,375	289,079,445	89	143,530,048	1,293	185,017,127	4,757	617,626,620
2003	3,979	352,315,523	73	53,042,082	1,323	139,848,295	5,375	545,205,900
2004	3,582	336,523,340	95	109,850,512	1,258	122,878,450	4,935	569,252,302
2005	3,182	271,716,461	75	75,072,179	1,338	188,632,631	4,595	535,421,271
2006	2,782	244,886,632	80	48,839,551	1,320	158,902,493	4,182	452,628,676
2007	2,657	198,175,039	81	140,213,992	1,126	175,010,770	3,864	513,399,801

Source: Building and Safety website

**LANCASTER COUNTY  
HISTORICAL TAXABLE ASSESSED VALUATION**

<u>YEAR</u>	<u>VALUATION</u>	<u>CHANGE</u> <u>AMOUNT</u>	<u>PERCENT</u>
1999-00	10,822,896,923		
2000-01	11,381,932,044	559,035,121	5.17%
2001-02	12,621,053,086	1,239,121,042	10.89%
2002-03	13,081,633,040	460,579,954	3.65%
2003-04	14,958,476,056	1,876,843,016	14.35%
2004-05	15,375,859,915	417,383,859	2.79%
2005-06	15,932,331,879	556,471,964	3.62%
2006-07	18,045,787,841	2,113,455,962	13.27%
2007-08	18,343,871,223	298,083,382	1.65%
2008-09	18,786,286,695	442,415,472	2.41%

**LANCASTER COUNTY  
TEN LARGEST TAXPAYERS**

<u>Taxpayer</u>	<u>Type of Business</u>	2007 Assessed <u>Valuation</u>	Percentage of Total Assessed <u>Valuation</u>
Burlington Northern	Railroad	78,797,130	0.43%
ALLTEL Communications Inc.	Telecommunications	77,452,885	0.42%
B & J Partnership	Real Estate	73,263,726	0.40%
Kawasaki	Manufacturing	67,771,007	0.37%
WEA Gateway LLC	Retail Management	59,248,573	0.32%
Pfizer Inc.	Animal Health	56,781,437	0.31%
Ameritas Life Insurance	Insurance	52,204,964	0.28%
Chateau Properties	Real Estate	50,459,982	0.28%
Molex Inc.	Manufacturing	45,981,536	0.25%
NEBCO Inc.	Construction/Development	<u>45,383,551</u>	0.25%
		607,344,791	3.31%

NOTE: The ten largest taxpayers combined are less than five percent of the total valuation.

Source: Lancaster County Assessor

**LANCASTER COUNTY POPULATION**  
(SELECTED YEARS)

<u>YEAR</u>		<u>POPULATION</u>	<u>Change from Preceding Year</u>	
			<u>NUMBER</u>	<u>PERCENT</u>
2007	(estimate)	275,665	3,872	1.42%
2006	(estimate)	271,793	3,222	1.20%
2005	(estimate)	268,571	3,737	1.41%
2004	(estimate)	264,834	2,456	0.94%
2003	(estimate)	262,378	4,136	1.60%
2002	(estimate)	258,242	3,789	1.49%
2001	(estimate)	254,453	4,162	1.66%
2000		250,291	21,564	9.43%
1995	(estimate)	228,727	15,086	7.06%
1990		213,641	20,757	10.76%
1980		192,884	24,912	14.83%
1970		167,972	12,700	8.18%
1960		155,272	35,530	29.67%
1950		119,742	19,157	19.05%
1940		100,585	261	0.26%
1930		100,324		

Source: U.S. Census Bureau

**PROJECTED POPULATION OF COUNTY**

<u>YEAR</u>	<u>POPULATION</u>	<u>Change from Preceding Census</u>	
		<u>NUMBER</u>	<u>PERCENT</u>
2000	250,291		
2030	390,000	139,709	55.82%
2050	527,000	137,000	35.13%

Source: Planning Department Projection, subject to revision

LANCASTER COUNTY POPULATION BY AGE AND SEX  
2000

<u>Age</u>	<u>Total</u>	<u>Male</u>	<u>Female</u>
TOTAL POPULATION	250,291	125,029	125,262
UNDER 5 YEARS	16,680	8,445	8,235
5 - 9 YEARS	16,174	8,334	7,840
10 - 14 YEARS	15,944	8,150	7,794
15 - 19 YEARS	20,514	10,289	10,225
20 - 24 YEARS	28,055	14,623	13,432
25 - 29 YEARS	20,187	10,789	9,398
30 - 34 YEARS	18,014	9,475	8,539
35 - 39 YEARS	18,778	9,657	9,121
40 - 44 YEARS	19,141	9,657	9,484
45 - 49 YEARS	17,983	8,943	9,040
50 - 54 YEARS	14,797	7,357	7,440
55 - 59 YEARS	10,297	5,037	5,260
60 - 64 YEARS	7,647	3,701	3,946
65 - 69 YEARS	6,889	3,194	3,695
70 - 74 YEARS	6,441	2,841	3,600
75 - 79 YEARS	5,509	2,237	3,272
80 - 84 YEARS	3,801	1,409	2,392
85 YEARS & OVER	3,440	891	2,549
Median age	32.0		

Source: U. S. Bureau of the Census



**LANCASTER COUNTY  
EMPLOYMENT HISTORY**

The State of Nebraska Department of Labor reports the following labor force data for selected years.

<u>Year</u>	<u>Labor Force</u>	<u>Employment</u>	Lancaster Co. <u>Unemployment</u> <u>Rate</u>	Nebraska <u>Unemployment</u> <u>Rate</u>
2007	158,809	154,337	2.8%	3.0%
2006	156,638	152,222	2.8%	3.0%
2005	156,765	151,169	3.6%	3.9%
2004	156,424	150,942	3.5%	3.9%
2003	155,479	149,787	3.7%	4.0%
2002	151,775	146,841	3.3%	3.7%
2001	152,332	148,246	2.7%	3.1%
2000	149,092	145,542	2.4%	2.8%
1999	145,645	142,160	2.4%	2.9%
1998	145,825	142,558	2.2%	2.7%
1997	143,749	140,533	2.2%	2.6%
1996	143,093	139,441	2.6%	2.9%
1995	138,117	135,008	2.3%	2.6%
1994	133,946	130,733	2.4%	2.9%
1993	130,631	127,453	2.4%	2.8%
1992	127,790	124,498	2.6%	2.9%
1991	125,423	122,450	2.4%	2.6%
1990	123,107	120,464	2.1%	2.3%
1989	124,608	121,517	2.5%	3.1%
1987	122,093	117,833	3.5%	4.9%
1986	120,008	116,152	3.2%	5.0%
1985	116,350	112,209	3.6%	5.4%
1984	113,050	109,530	3.1%	4.4%
1983	110,254	105,519	4.3%	5.7%
1981	110,623	106,477	3.7%	4.1%
1979	109,958	106,738	2.9%	3.2%
1977	109,747	106,475	3.0%	3.7%

Source: Nebraska Department of Labor

**LANCASTER COUNTY  
YEAR END FUND BALANCES**

<b>FUNDS</b>	<b><u>6-30-08</u></b>	<b><u>6-30-07</u></b>	<b><u>6-30-06</u></b>	<b><u>6-30-05</u></b>	<b><u>6-30-04</u></b>
<b>OPERATING:</b>					
GENERAL	12,413,049	11,899,196	9,850,532	10,531,566	10,030,894
BRIDGE & ROAD	1,281,589	1,673,888	1,565,205	939,105	896,036
HIGHWAY	954,474	529,319	347,130	333,750	359,849
LANCASTER MANOR	1,031,383	536,416	681,565	974,921	892,772
MENTAL HEALTH	755,903	462,381	126,068	(3,965)	221,406
WEED CONTROL	65,272	43,972	63,480	57,727	57,809
CO/CITY PROPERTY MGMT	60,381	83,765	52,066	146,140	(134,815)
PROPERTY MANAGEMENT	<u>49,587</u>	<u>(24,766)</u>	<u>(125,025)</u>	<u>(106,007)</u>	<u>(96,725)</u>
<b>TOTAL OPERATING</b>	<b>16,611,638</b>	<b>15,204,171</b>	<b>12,561,021</b>	<b>12,873,237</b>	<b>12,227,226</b>
<b>NON-OPERATING:</b>					
WORKERS COMP LOSS	1,139,285	901,207	577,342	335,113	245,615
OTHER SELF INSURANCE	607,317	748,504	829,768	1,026,839	1,194,612
GROUP SELF INSURANCE	5,407,879	5,562,157	4,857,153	2,768,235	194,876
VISITORS IMPROVEMENT	1,743,922	-	-	-	-
VISITORS PROMOTION	202,225	1,526,665	601,839	1,144	6,474
RURAL LIBRARY	59,553	31,730	14,453	31,428	36,084
VETERANS AID	8,261	18,261	23,261	23,261	23,198
FEDERAL GRANTS	668,072	289,033	(113,685)	572,552	340,746
KENO	1,470,566	1,380,267	678,034	528,265	598,835
ECON DEVELOPMENT	185,752	74,443	275,204	174,595	533,617
RURAL ENTERPRISE ASSIST	-	-	-	97,236	93,515
DEBT SERVICE	1,853,138	1,098,104	34,850	(1,459,257)	2,040,387
BUILDING FUND	39,981	300,581	609,696	464,108	342,903
JAIL SAVINGS FUND	1,143,435	-	-	-	-
FAMILIES FIRST & FOREMOST	-	-	-	3,606,758	1,920,741
CITY BLDG MAINTENANCE	<u>189,547</u>	<u>135,874</u>	<u>93,437</u>	<u>45,124</u>	<u>(30,059)</u>
<b>TOTAL NONOPERATING</b>	<b><u>14,718,933</u></b>	<b><u>12,066,826</u></b>	<b><u>8,481,352</u></b>	<b><u>8,215,401</u></b>	<b><u>7,541,544</u></b>
<b>TOTAL</b>	<b><u>31,330,571</u></b>	<b><u>27,270,997</u></b>	<b><u>21,042,373</u></b>	<b><u>21,088,638</u></b>	<b><u>19,768,770</u></b>

Source: Lancaster County Budget Documents

The year-end fund balances are prepared on a budgetary basis of accounting. The budgetary basis is considered modified accrual because certain receivables and payables are booked at year end on the accounting system.

**APPENDIX B**

**THE COUNTY OF LANCASTER, NEBRASKA  
ACCOUNTANT'S REPORT AND AUDITED FINANCIAL STATEMENTS**

**LANCASTER COUNTY, NEBRASKA**  
**BASIC FINANCIAL STATEMENTS**  
**WITH**  
**SUPPLEMENTAL INFORMATION**  
**AND**  
**ACCOMPANYING INDEPENDENT AUDITORS' REPORTS**  
**YEAR ENDED JUNE 30, 2007**

**BLAND & ASSOCIATES, P.C.**  
**Certified Public Accountants**

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**INDEPENDENT AUDITORS' REPORT ON BASIC  
FINANCIAL STATEMENTS AND SUPPLEMENTAL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Board of Commissioners  
Lancaster County, Nebraska

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lancaster County, Nebraska (the County) as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County'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 of the County referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County as of and for the year ended June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity accounting principles generally accepted in the United States of America.

The County has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The budgetary information on pages 44 to 46 is not a part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

**INDEPENDENT AUDITORS' REPORT ON BASIC  
FINANCIAL STATEMENTS AND SUPPLEMENTAL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying supplemental information on pages 50 through 68 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards on pages 47 through 49 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the County. The Schedule of Expenditures of Federal Awards (pages 47 through 49) and Combining Statements – Governmental and Proprietary Funds (pages 50 through 58) have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. We have applied certain limited procedures to the Statements of Accountability (pages 59 through 68), which consisted principally of inquiries of management regarding the methods of measurement and presentation. However, we did not audit the other supplemental information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2008, on our consideration of Lancaster County, Nebraska's internal control over financial reporting and on 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.

Omaha, Nebraska  
January 25, 2008

*Bland & Associates, P.C.*

**LANCASTER COUNTY, NEBRASKA**  
**STATEMENT OF NET ASSETS**  
June 30, 2007

ASSETS	Governmental Activities
<b>CURRENT ASSETS</b>	
Cash, Cash Equivalents, and Investments (Notes A and B)	\$ 39,364,069
Interest Receivable	185,134
Due From Other Governmental Agencies, Less Allowance for Doubtful Accounts of \$179,592 (Note C)	4,764,469
Taxes Receivable (Note A)	21,337,809
Total Current Assets	65,651,481
<b>CAPITAL ASSETS (Notes A and D)</b>	
Non-depreciable Capital Assets	
Land	6,840,540
Construction In Progress	902,908
Total Non-depreciable Capital Assets	7,743,448
Depreciable Capital Assets	
Less Accumulated Depreciation	(51,619,719)
Total Depreciable Capital Assets	99,313,297
Total Capital Assets	107,056,745
<b>OTHER ASSETS</b>	
Debt Issuance Costs, Net of Accumulated Amortization	70,723
	\$ 172,778,949
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES</b>	
Accounts Payable	\$ 4,314,931
Rent Received in Advance	71,109
Deferred Tax Revenue (Note A)	1,894,541
Accrued Interest Payable	78,067
Claims Liability (Note K)	1,185,521
Accrued Salaries	1,408,913
Due to Other Governmental Agencies (Note C)	125,000
Current Portion of Bonds Payable (Note F)	1,135,000
Current Portion of Capital Lease Obligations (Note F)	37,209
Total Current Liabilities	10,250,291
<b>LONG-TERM LIABILITIES</b>	
Accrued Compensated Absences (Notes A and F)	5,237,707
Bonds Payable, Less Current Portion (Note F)	5,715,000
Capital Lease Obligations, Less Current Portion (Note F)	72,288
Total Long-Term Liabilities	11,024,995
Total Liabilities	21,275,286
<b>COMMITMENTS AND CONTINGENCIES (Notes H, K, L, and M)</b>	
<b>NET ASSETS (Note A)</b>	
Invested In Capital Assets, Net of Related Debt	100,097,248
Unrestricted	51,406,415
Total Net Assets	151,503,663
	\$ 172,778,949

The accompanying notes to financial  
statements are an integral part of these statements



LANCASTER COUNTY, NEBRASKA  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2007

	Program Revenues			Net (Expenses) Revenues and Change in Net Assets
	Primary Government			
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
General Government	\$ 37,719,787	\$ 26,319,905	\$ 2,324,451	\$ (9,075,431)
Public Safety - Law Enforcement	25,775,610	-	-	(25,775,610)
Public Safety - Other	17,575,484	-	-	(17,575,484)
Community Development	1,359,246	150,926	-	(1,208,320)
Public Works	14,498,688	4,989,616	-	(9,509,072)
Public Health and Human Services	33,753,682	25,308,541	2,404,290	(6,040,851)
Culture and Recreation	698,212	750,523	-	52,411
Debt Service Interest	572,853	95,721	-	(477,132)
Total Governmental Activities	\$ 131,853,562	\$ 57,615,332	\$ 4,728,741	(89,609,489)
GENERAL REVENUES				
Taxes				
Property Taxes				56,907,486
Motor Vehicle Tax				6,569,158
Inheritance Tax				3,661,348
Homestead Exemption				1,161,175
In-lieu-of Tax				1,318,550
Carline/Airline Tax				395,247
Insurance Tax				387,077
MV Prorate Tax				179,206
Lodging Tax				1,934,826
State Aid to Counties				750,734
Investment Income				3,372,351
Gain on Sale of Capital Assets				35,422
Total General Revenues				76,652,580
CHANGE IN NET ASSETS				7,043,091
NET ASSETS - BEGINNING OF YEAR, As Previously Stated				125,003,411
PRIOR PERIOD ADJUSTMENT (Note O)				19,457,161
NET ASSETS - BEGINNING OF YEAR, As Restated				144,460,572
NET ASSETS - END OF YEAR				\$ 151,503,663

LANCASTER COUNTY, NEBRASKA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2007

ASSETS	General Fund (011)	Bridge & Special Road Fund (021)	Lancaster Manor Fund (061)	Other Governmental Funds	Total Governmental Funds
Cash, Cash Equivalents, and Investments	\$ 16,002,126	\$ 4,117,665	\$ 1,132,500	\$ 6,332,408	\$ 27,584,699
Due From Other Governmental Agencies	1,680,492	-	1,269,700	1,645,384	4,595,576
Interest Receivable	76,633	13,357	-	17,900	107,890
Taxes Receivable	19,040,576	-	-	2,297,233	21,337,809
	<u>\$ 36,799,827</u>	<u>\$ 4,131,022</u>	<u>\$ 2,402,200</u>	<u>\$ 10,292,925</u>	<u>\$ 53,625,974</u>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ 3,503,993	\$ 91,550	\$ 295,295	\$ 489,236	\$ 4,380,074
Accrued Salaries	779,111	38,609	261,201	249,506	1,328,427
Due To Other Governmental Agencies	-	-	-	125,000	125,000
Total Liabilities	<u>4,283,104</u>	<u>130,159</u>	<u>556,496</u>	<u>863,742</u>	<u>5,833,501</u>
<b>FUND BALANCE</b>					
Unreserved	<u>32,516,723</u>	<u>4,000,863</u>	<u>1,845,704</u>	<u>9,429,183</u>	<u>47,792,473</u>
Total Fund Balance	<u>32,516,723</u>	<u>4,000,863</u>	<u>1,845,704</u>	<u>9,429,183</u>	<u>47,792,473</u>
	<u>\$ 36,799,827</u>	<u>\$ 4,131,022</u>	<u>\$ 2,402,200</u>	<u>\$ 10,292,925</u>	<u>\$ 53,625,974</u>

The accompanying notes to financial  
statements are an integral part of these statements

LANCASTER COUNTY, NEBRASKA  
 RECONCILIATION OF THE BALANCE SHEET -  
 GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
 June 30, 2007

Total Fund Balances - Governmental Funds	\$	47,792,473
Amounts reported in the governmental activities in the statement of net assets are different because:		
Capital assets are reported at historical cost, net of accumulated depreciation, on the statement of net assets, including internal service funds.		107,056,745
Debt issuance costs are reported at historical cost, net of accumulated amortization, on the statement of net assets, including internal service funds.		70,723
Internal service funds are used by the County to charge the cost of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.		10,691,682
Property tax revenues, not collected within 60 days of the fiscal year end are not financial resources and, therefore, not reported in the governmental funds.		(1,894,541)
The issuance of bonds payable provides current financial resources to governmental funds, while the repayment of the principal consumes the current financial resources of governmental funds.		(6,850,000)
The following expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Capital lease obligations		(109,497)
Accrued compensated absences		(5,237,707)
Accrued interest payable		(16,215)
		<hr/>
Net Assets - Governmental Activities	\$	<u>151,503,663</u>

**LANCASTER COUNTY, NEBRASKA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2007**

	General Fund (011)	Bridge & Special Road Fund (021)	Lancaster Manor Fund (061)	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 56,283,372	\$ 344	\$ -	\$ 18,104,898	\$ 74,388,614
Charges for Services	13,452,313	521,638	18,237,172	9,716,374	41,927,497
Federal Receipts	2,324,451	-	-	2,404,290	4,728,741
License, Fees and Rental Income	58,291	-	-	1,138,081	1,196,372
Interest Income	2,992,398	109,414	-	46,372	3,148,184
Intergovernmental	1,807,197	-	-	292,194	2,099,391
Other	457,308	19,972	53,747	1,318,028	1,849,055
Total Revenues	<u>77,375,330</u>	<u>651,368</u>	<u>18,290,919</u>	<u>33,020,237</u>	<u>129,337,854</u>
<b>EXPENDITURES</b>					
General Government	68,690,497	-	-	462,126	69,152,623
Community Development	-	-	-	1,359,246	1,359,246
Public Works	-	4,636,542	-	9,862,146	14,498,688
Public Health and Human Services	-	-	16,967,161	16,775,428	33,742,589
Culture and Recreation	-	-	-	698,212	698,212
Total Expenditures	<u>68,690,497</u>	<u>4,636,542</u>	<u>16,967,161</u>	<u>29,157,158</u>	<u>119,451,358</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	8,684,833	(3,985,174)	1,323,758	3,863,079	9,886,496
<b>OTHER FINANCING SOURCES (USES)</b>					
Debt Payments	(181,422)	-	-	(585,851)	(767,273)
Operating Transfers In	22,963	5,139,549	2,500	285,299	5,450,311
Operating Transfers Out	(5,424,848)	-	-	(25,463)	(5,450,311)
Total Other Financing Sources (uses)	<u>(5,583,307)</u>	<u>5,139,549</u>	<u>2,500</u>	<u>(326,015)</u>	<u>(767,273)</u>
<b>CHANGE IN FUND BALANCE</b>	3,101,526	1,154,375	1,326,258	3,537,064	9,119,223
<b>FUND BALANCE - BEGINNING OF YEAR, As Previously Stated</b>	28,064,343	2,846,488	519,446	5,601,134	37,031,411
<b>PRIOR PERIOD ADJUSTMENT</b>	1,350,854	-	-	290,985	1,641,839
<b>FUND BALANCE - BEGINNING OF YEAR, As Restated</b>	<u>29,415,197</u>	<u>2,846,488</u>	<u>519,446</u>	<u>5,892,119</u>	<u>38,673,250</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 32,516,723</u>	<u>\$ 4,000,863</u>	<u>\$ 1,845,704</u>	<u>\$ 9,429,183</u>	<u>\$ 47,792,473</u>

The accompanying notes to financial  
statements are an integral part of these statements.

LANCASTER COUNTY, NEBRASKA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds \$ 9,119,223

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlays	5,270,974
Depreciation expense	(3,690,983)
Gain on sale of capital assets	35,422

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond payments	1,110,000
Capital lease payments	58,157

Property tax revenues, not collected within 60 days of the fiscal year end are not financial resources and, therefore, are not reported in the governmental funds. (1,894,541)

Accrued compensated absences are not financial resources and, therefore, are not reported in the governmental funds. (3,195,112)

Internal service funds are used by the County to charge the costs of certain activities to individual funds. The activities of the internal service funds are included in the governmental activities in the statement of activities, net of depreciation expense and bond payments which are included above. 229,951

Change in Net Assets - Governmental Funds \$ 7,043,091

LANCASTER COUNTY, NEBRASKA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2007

ASSETS	Total Internal Service Funds
<b>CURRENT ASSETS</b>	
Cash and Cash Equivalents	\$ 7,754,397
Due From Other Governmental Agencies	168,893
Investments	4,039,929
Interest Receivable	77,244
Total Current Assets	12,040,463
<b>CAPITAL ASSETS</b>	
Non-depreciable Capital Assets	
Land	500,000
Depreciable Capital Assets	
Buildings and Improvements	6,443,344
Less Accumulated Depreciation	(2,770,638)
Total Capital Assets	4,172,706
<b>OTHER ASSETS</b>	
Debt Issuance Costs, Net of Accumulated Amortization	70,723
	\$ 16,283,892
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES</b>	
Accounts Payable	\$ 12,924
Rent Received in Advance	71,109
Accrued Interest Payable	61,852
Claims Liability	1,185,521
Accrued Salaries	2,419
Current Portion of Bonds Payable	545,000
Total Current Liabilities	1,878,825
<b>LONG-TERM LIABILITIES</b>	
Bonds Payable, Less Current Portion	2,775,000
Total Liabilities	4,653,825
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	852,706
Unrestricted	10,777,361
Total Net Assets	11,630,067
	\$ 16,283,892

The accompanying notes to financial  
statements are an integral part of these statements

**LANCASTER COUNTY, NEBRASKA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2007**

	<b>Total Internal Service Funds</b>
<b>OPERATING REVENUES</b>	
Charges for Services	\$ 11,218,741
Other	69,984
Total Operating Revenues	11,288,725
<b>OPERATING EXPENSES</b>	
Insurance	9,180,988
Contractual	1,232,518
Depreciation	128,867
Wages and Benefits	98,873
Other	88,364
Amortization	10,103
Repairs and Maintenance	2,227
City/County Shared	965
Supplies	597
Travel	101
Total Operating Expenses	10,743,603
Operating Income	545,122
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest on Investments	263,242
Unrealized Loss on Investments	(41,350)
Realized Gain on Investments	2,276
Interest Expense	(145,136)
Total Non-Operating Revenues (Expenses)	79,032
<b>CHANGE IN NET ASSETS</b>	624,154
<b>NET ASSETS - BEGINNING OF YEAR, As Previously Stated</b>	11,805,890
<b>PRIOR PERIOD ADJUSTMENT</b>	(799,977)
<b>NET ASSETS - BEGINNING OF YEAR, As Restated</b>	11,005,913
<b>NET ASSETS - END OF YEAR</b>	\$ 11,630,067

The accompanying notes to financial  
statements are an integral part of these statements

**LANCASTER COUNTY, NEBRASKA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2007**

	<u>Total Internal Service Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Received from User Charges	\$ 11,146,989
Payments for Employee Indemnity	(1,182,626)
Payments for Claims/Insurance	(8,902,413)
Capital Donation	(13,735)
Net Cash Provided By Operating Activities	<u>1,048,215</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Payments on Bonds Payable	(530,000)
Payments of Interest on Bonds Payable	(158,220)
Net Cash Used In Capital and Related Financing Activities	<u>(688,220)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment Income	235,101
Proceeds From Sale of Investments	1,957,705
Purchase of Investments	(1,514,980)
Net Cash Provided By Investing Activities	<u>677,826</u>
Increase In Cash And Cash Equivalents	1,037,821
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>6,716,576</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 7,754,397</u></u>
 <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating Income	\$ 545,122
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities	
Depreciation	128,867
Amortization	10,103
(Increase) Decrease In Current Assets:	
Due From Other Governmental Agencies	(131,235)
Increase (Decrease) In Current Liabilities:	
Accounts Payable	(26,802)
Accrued Salaries	437
Rent Received In Advance	(10,501)
Claims Liability	532,224
Net Cash Provided By Operating Activities	<u><u>\$ 1,048,215</u></u>

The accompanying notes to financial  
statements are an integral part of these statements



LANCASTER COUNTY, NEBRASKA  
 STATEMENT OF NET ASSETS  
 FIDUCIARY FUNDS  
 June 30, 2007

<b>ASSETS</b>	<b>Pension Trust Fund</b>	<b>Agency Funds</b>
Cash, Cash Equivalents, and Investments	\$ 89,801,501	\$ 15,057,823
	<u>\$ 89,801,501</u>	<u>\$ 15,057,823</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Due to Governmental Agencies	\$ -	\$ 15,057,823
<b>NET ASSETS</b>		
Held In Trust For Pension Benefits	89,801,501	-
	<u>\$ 89,801,501</u>	<u>\$ 15,057,823</u>

The accompanying notes to financial  
 statements are an integral part of these statements

**LANCASTER COUNTY, NEBRASKA**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FIDUCIARY FUNDS**  
**Year Ended June 30, 2007**

	<b>Pension Trust Fund</b>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 2,328,100
Employee	3,650,217
Military Catch-Up	11,699
	5,990,016
Investment Earnings:	
Net Increase in Fair Value of Investments	1,172,477
Interest Income	9,435,726
	10,608,203
Total Additions	16,598,219
<b>DEDUCTIONS</b>	
Benefits	5,253,310
<b>CHANGE IN NET ASSETS</b>	11,344,909
<b>NET ASSETS - BEGINNING OF YEAR</b>	78,456,592
<b>NET ASSETS - END OF YEAR</b>	\$ 89,801,501

The accompanying notes to financial  
statements are an integral part of these statements

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of the significant accounting policies of Lancaster County, Nebraska (the County), is presented to assist in understanding the County's financial statements. The financial statements and notes are representations of the County's management who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

**Organization and Principal Activity**

The County is a governmental entity established by the laws of the State of Nebraska. The County is a political subdivision of the State of Nebraska and is governed by a five member Board of Commissioners elected by the citizens of Lancaster County, Nebraska. The County's responsibilities include general social welfare; operation of a County health center; corrections; youth center; maintenance of streets and highways not within any incorporated city, village, or sanitary and improvement district; legal court-related activities; licensing, recording, and assessment of real property; tax collection for all Nebraska public entities within the County; conducting elections; and law enforcement.

**Reporting Entity**

The County follows the standards promulgated by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, that define the financial reporting entity as the one consisting of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements include the transactions of the County's primary government, component units, and blended component units, as discussed below.

**Primary Government**

The primary government has a separately elected governing body, is legally separate, and is fiscally independent of other governments. The primary government of the County consists of all the organizations that comprise the legal entity.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Component Units**

Component units are legally separate organizations for which the County is financially accountable and/or for which the nature and significance of their relationship with the County are such that exclusion would cause the financial statements to be misleading or incomplete. The County is considered to be financially accountable for an organization when either:

1. The County appoints a voting majority of the organization governing body and can impose its will on that organization, or
2. There is a potential for the organization to provide specific financial benefit to, or impose specific financial burden on the County.

**Blended Component Unit**

Despite being legally separate, component units that are so intertwined with the primary government that they are, in substance, the same as the primary government are reported as part of the primary government. The criteria for this determination are:

1. The component unit's governing body is substantially the same as the governing body of the primary government, and
2. The component unit provides services entirely or almost entirely to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government by providing services that the primary government would have provided if they were not provided by the component unit.

Based on the criteria above, the County has identified Lancaster Leasing Corporation (the Corporation) as a component unit.

The Corporation exists for the purpose of issuing bonds for the acquisition or construction of facilities, which in turn are leased to the County. Separate audited financial statements of the Corporation are available at the County Clerk's Office, County/City Building, 555 South 10<sup>th</sup> Street, Lincoln, Nebraska 68508.

**Joint Ventures**

The County has entered into two (2) multi-governmental arrangements creating two (2) entities that are governed by representatives from each of the participating governments. These entities are considered to be joint ventures. The County does not have an ongoing financial interest (equity interest); therefore, these joint ventures are not included in the financial statements of the County.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Lincoln-Lancaster County Public Building Commission**

In 1990, the City of Lincoln, Nebraska (the City) and the County, pursuant to State Statute, activated a separate governmental entity designated as the Lincoln-Lancaster County Public Building Commission (the 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.

As of June 30, 2007, the Commission had bonds outstanding of \$48,660,000 attributable to several bond issues. Proceeds from the bonds have been utilized by the Commission to acquire, construct, and/or renovate certain buildings occupied by the City and the County. The County's proportionate share of such buildings is recorded as capital assets on the books of the County.

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

**Lancaster County Fairgrounds Joint Public Agency**

The Lancaster County Fairgrounds Joint Public Agency (the Agency) was established to acquire land and construct capital improvements thereon for the establishment and expansion of the Lancaster County Fairgrounds. The Agency is not accumulating significant financial resources and is not experiencing fiscal stress that could cause an additional financial benefit or burden to the County. The Board consists of five representatives, of whom the Lancaster County Agricultural Society (the Society) appoints three and the County appoints two.

Separate audited financial statements of the Agency, which include the financial statements of the Agency, may be obtained from the Lancaster County Agricultural Society, 4100 North 84<sup>th</sup> Street, Lincoln, Nebraska 68508.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation**

**Basic Financial Statements**

The basic financial statements of the County include the government-wide and the fund financial statements. Prior to implementation of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, the financial statements emphasized fund types and account groups. In the GASB Statement No. 34 reporting model, the focus is on the County as a whole in the government-wide financial statements, while reporting additional and detailed information about the County's major governmental funds in the fund financial statements.

**Government-Wide Financial Statements**

The government-wide financial statements (the statement of net assets and statement of activities) report information on all the non-fiduciary activities of the primary government and its component unit. Governmental activities are normally supported by taxes and intergovernmental revenues. Likewise, the primary government is reported separately from the Lancaster Leasing Corporation for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Fund Financial Statements**

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. Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation (Continued)**

**Fund Financial Statements (Continued)**

An emphasis is placed on major funds within the governmental and proprietary categories. The County considers its primary operating fund to be a major fund as well as those governmental funds that meet the following criteria: total assets, liabilities, revenues, or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all governmental funds combined. Major individual governmental funds are reported as separate columns in the fund financial statements as applicable.

Major fund reporting requirements do not apply to internal service funds. The combined totals for all internal service funds are reported separately in a single column on the face of the proprietary fund financial statements.

The funds of the financial reporting entity are described below:

**Governmental Funds**

**General Fund**

The General Fund is used to account for all activities of the County not included in other specified funds. The General Fund accounts for the normal recurring activities of the County (general government, health services, community services, etc.). These activities are funded primarily by tax revenues.

**Special Revenue Funds**

Special Revenue Funds are used to account for proceeds of the specific revenue sources (other than special assessments or major capital projects) that are legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the County.

**Proprietary Funds**

**Internal Service Funds**

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the County or to other governmental units on a cost-reimbursement basis.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation (Continued)**

**Fiduciary Fund Types**

**Pension Trust Funds**

Pension Trust Funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined contribution plans.

**Agency Funds**

Agency Funds are used to report resources held by the County in a purely custodial capacity. Agency Funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

The County reports the following major governmental funds:

*General Fund* – The General Fund is the County's main operating fund. It accounts for all governmental financial resources, except those required to be accounted for in another fund.

*Bridge & Special Road Fund* – The Bridge & Special Road Fund is the County's bridge and road construction fund. It accounts for the acquisition or construction of infrastructure assets.

*Lancaster Manor Fund* – The Lancaster Manor Fund is the County's retirement home.

**Measurement Focus/Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.



**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement Focus/Basis of Accounting (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as 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 period, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures, such as principal and interest on general long-term debt, and claims and judgments, are recognized under the modified accrual basis of accounting when the related liability is due.

The proprietary fund financial statements are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary continuing operations of the fund. Principal operating revenues for proprietary funds are charges to governmental agencies for services.

Principal operating expenses are the costs of services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

**Cash and Cash Equivalents**

For financial statement purposes, all highly liquid investments with original maturities of three months or less, are considered cash equivalents.

**Investments**

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are recorded at fair value. The County's investment policy allows investment in U.S. government obligations and short-term interest bearing investments consisting of certificates of deposit and other income producing securities. It is also the County's policy to report interest earned but not received in a separate account from the principal.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Taxes Receivable**

Taxes receivable are all considered collectible by management. Based on prior experience with receipt of taxes, no allowance for doubtful accounts has been provided related to taxes receivable. Tax amounts not received within sixty days are considered deferred revenue in the governmental fund financial statements.

**Capital Assets and Depreciation**

Capital assets are those assets which have been acquired for general government purposes. Capital assets are recorded at historical cost or replacement cost if actual historical cost is not known. Contributed assets, including those from the federal government, are recorded at estimated fair value on the date received. The County's capitalization threshold for equipment, buildings, and infrastructure is \$5,000. Infrastructure assets include roads, bridges, and culverts. Depreciation is calculated using the straight-line method with a mid-month convention.

The estimated useful lives for capital assets are as follows:

	<u>Years</u>
Land improvements	20 - 50
Buildings	25 - 50
Machinery and equipment	5 - 20
Vehicles	8
Infrastructure	20 - 50

The County determined historical infrastructure costs by reference to historical records or by appraisal. Current cost is adjusted for the price change from the date of construction or acquisition to the current date.

**Compensated Absences**

It is the County's policy to permit employees to earn annual vacation and sick leave at various rates during their periods of employment. In the event of termination, an employee is reimbursed for accumulated vacation time up to a maximum carry over of 240 hours. Employees do not receive payment of unused sick leave upon termination of employment except for retirement, death, or if the employee has 15 years of service and has in excess of 1,000 hours of extended sick leave.

**Net Assets**

Invested in capital assets, net of related debt - This component of net assets consists of capital assets net of accumulated depreciation and net of outstanding balances of any debts used to finance those assets.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Net Assets (Continued)**

Restricted net assets – This component of net assets may be used only to finance specific types of transactions. Restricted net assets represent the balance of restricted assets less the outstanding balances of any liabilities that will be settled using the restricted assets. There were no restricted net assets at June 30, 2007.

Unrestricted net assets – This component of net assets does not meet the definition of either net assets invested in capital assets, net of related debt or restricted net assets.

**Fund Balance**

Governmental fund equity is classified as fund balance. Fund balances can be reserved, unreserved-designated, and unreserved-undesignated. The portion of the fund balance that has been committed for identified purposes is reserved fund balance.

**Property Taxes**

Based on the valuation as of January 1, property taxes are levied by the County Board on or before October 15 of each year for all political subdivisions in the County. Real estate and personal property taxes are due December 31 of the year in which the property is appraised. One-half of the taxes become delinquent April 1 and August 1 of the following year.

The County collects its own property taxes and those of certain other taxing entities. Collections of the taxes for others, pending distribution, are accounted for in agency funds.

Counties are permitted by the State Constitution to levy a tax up to \$0.50 per \$100 of assessed valuation for general governmental services other than the payment of principal and interest on bonded debt. They may levy taxes in addition to the \$0.50 limitation upon a vote of the people. The tax levy remained below the \$0.50 limitation for 2007.

Also, \$0.05 of the \$0.50 limit may only be levied to provide services offered jointly with another government under an interlocal agreement. The County may share \$0.15 of its levy authority with rural fire districts and other political subdivisions no longer having any levy authority.

Additionally, the legislature, as part of a property tax relief package, prohibited counties from adopting a budget containing "restricted funds" which are greater than 2.5% of the prior year budgeted restricted funds, plus the percentage change in valuation increase attributable to new construction and additions to buildings in excess of 2.5%. Restricted funds include property taxes, payments in-lieu-of taxes, and state aid less amounts budgeted for capital improvements and bonded indebtedness.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental fund types.

At the end of each budget period, unencumbered, unexpended appropriations lapse. Appropriations in the governmental fund types are charges for encumbrances when commitments are made. Fund balances are reserved for outstanding encumbrances, which serve as authorization for expenditures in the subsequent year. There were no encumbrances as of June 30, 2007.

**Income Taxes**

The County qualifies as a tax-exempt organization under Section 115 of the Internal Revenue Code. Accordingly, no provision for income taxes is required.

**Budgets and Budgetary Accounting**

The County follows the procedures described below in establishing the budgetary data reflected in the County's financial statements in accordance with the statutory requirements of the Nebraska Budget Act.

On or before August 1, the County Board of Commissioners prepares and transmits a budget for the County showing the projected requirements, outstanding warrants, operating reserve, cash on hand at the close of the preceding fiscal year, projected revenue collected from sources other than property tax and amounts to be raised by property taxation.

The budget is prepared on the cash basis of accounting. Encumbrances are also reflected as expenditures for budgetary purposes. At least one public hearing must be held by the County Board of Commissioners.

On or before September 20 each year, the County Board of Commissioners, after the action of the State Board of Equalization and Assessment has been certified to the County Clerk, the budget, as revised, is adopted and the amounts provide therein are appropriated.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Internal Activities**

When internal service funds are reported in the government-wide statements of activities, only their residual balances are reported. Eliminations are made in the statement of activities to remove the "doubling-up" effect on internal service fund activity. However, there are situations in which an internal service fund may have revenues and expenses that should not be considered internal. It happens when an internal service fund, for example, has transactions with organizations outside the primary government. Accordingly, these are not eliminated in the statement of activities. Rather, the revenues and expenses are reported in the general administrative function of the government. The County's internal service funds have transactions that are primarily with outside organizations and therefore, no eliminations are required.

**Interfund Activity**

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Transfers between governmental funds or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

**Use of Estimates**

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates employed.

**NOTE B - CONCENTRATION OF CREDIT RISK**

**Deposits**

As of June 30, 2007, the carrying amount, which approximates fair value, of the Corporation's investments was \$28,128,099. The investments consisted of certificates of deposit, U.S. Government Securities, and Federal Home Loan Bank Notes. These securities are held in the County's name.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE B - CONCENTRATION OF CREDIT RISK (Continued)**

**Deposits (Continued)**

The Public Funds Deposit Security Act, State Statute Sections 77-2386 to 77-23,106, require banks either to give bonds or to pledge government securities (types of which are specifically identified in the Statutes) to the County Treasurer in the amount of the County's deposits.

The Statutes allow pledged securities to be reduced by the amount of the deposit insured by the Federal Deposit Insurance Corporation (FDIC).

The County has pooled the cash resources of the various funds for investment purposes. Each fund's portion of total cash and investments is summarized by fund type on the combining balance sheets. Interest earned on pooled funds, except for interest earned on the pension trust, is credited to the County General Fund in accordance with Nebraska State Statute Section 77-2315, R.R.S. 1943.

At June 30, 2007, the County's cash deposits or certificates of deposit, in excess of the \$100,000 FDIC limits, are covered by collateral held in a Federal Reserve pledge account or by an agent for the County and thus no custodial risk exists.

Cash and investments consisted of the following as of June 30, 2007:

<u>Cash and Cash Equivalents</u>	<u>Carrying</u>	<u>Fair Value</u>
Cash and cash equivalents owned by the County	\$39,364,069	\$ 39,364,069
Cash and cash equivalents held in trust by the County	<u>15,057,823</u>	<u>15,057,823</u>
Total cash and cash equivalents owned and held in trust by the County	<u>\$54,421,892</u>	<u>\$ 54,421,892</u>

**Investments**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investment securities that are in the possession of an outside party. None of the underlying securities for the County's investments at June 30, 2007 are subject to custodial credit risk, as they are held in an account in the County's name, and by an agent who is not the counterparty to the investment transactions.

Nebraska State Statute Section 77-2315 authorizes the County Treasurer, with the consent of the County Board, to invest in U.S. Government bonds, bonds and debentures issued either singularly or collectively by any of the twelve federal land banks, the twelve intermediate credit banks, or the thirteen banks for cooperatives under the supervision of the Farm Credit Administration, United States Treasury notes, bills or certificates of indebtedness maturing within two years from the date of purchase, or in certificates of deposit.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
Year Ended June 30, 2007

**NOTE B - CONCENTRATION OF CREDIT RISK (Continued)**

**Investments (Continued)**

*Interest rate risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with State law and its investment policy, the County manages its exposure to declines in fair values by changes in interest rates by limiting all investments to maturities of two years or less. The current weighted average maturity of the County's investment portfolio is less than three months.

*Credit risk* is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. County policy addresses credit risk by requiring ownership in federal securities for all investments greater than the \$100,000 FDIC insured amount. The external investment funds are comprised of Nebraska Public Agency Trust (NPAIT) and Short-Term Federal Investment Trust (STFIT). NPAIT and STFIT invest in only the highest quality securities, including U.S. Government sponsored agencies, and guaranteed student loans.

*Concentration of credit risk* is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The County's investment policy places no limits on the amount the County may invest in any one user. Concentration of risk is not an issue since all investments are covered by issuer's assets held in the name of the County.

*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 County's deposit policy for custodial credit risk requires compliance with the provisions of state law.

**Pension Trust Fund**

The pension program operates in compliance with all state and federal statutes, particularly Nebraska State Statute 30-3209. County pension funds are invested according to a plan developed and reviewed annually by the County. The plan defines the purposes of the assets, identifies the parties responsible for managing the investment process, establishes both broad and specific written guidelines for the investment of the fund's assets, and establishes criteria to monitor and evaluate the performance of the investment managers. The plan authorizes investments in common and preferred stocks, corporate bonds, cash-equivalent securities, certificates of deposits of insured institutions, money market funds, and government bonds. They can be in mutual funds or privately managed accounts.

There are fixed income securities guidelines: maximum of 2% of any single corporate issuer and 5% for other issuers; no limit on fixed income treasury or agency issues of the U.S. government. Investments in the employees' retirement system are valued at the carried amount, which approximates fair value. The County's financial statements are prepared using the accrual basis of accounting. Employer and plan member contributions are recognized in the period that the contributions are due.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE B - CONCENTRATION OF CREDIT RISK (Continued)**

**Pension Trust Fund (Continued)**

At June 30, 2007, the balances of investments in the employees' retirement system were \$89,801,501. The County's allocation of investments is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Concentration</u>
Cash	\$ 48,991	0.05%
Guaranteed investment contracts	29,055,257	32.36%
Government bonds	1,550,505	1.73%
Mutual funds	16,488,552	18.36%
International equities	13,424,446	14.95%
Domestic equities	29,233,750	32.55%
Total	<u>\$ 89,801,501</u>	<u>100.00%</u>

**NOTE C - DUE FROM/TO OTHER GOVERNMENTAL AGENCIES**

**Due From Other Governmental Agencies**

Due from other governmental agencies are all considered collectible by management except for patient receivables of the County's Community Mental Health Center. All patient and insurance receivables are shown net of an allowance for doubtful accounts. Patient and insurance receivables in excess of 30 days totaling \$179,592 comprise the allowance for doubtful accounts.

**Due To Other Governmental Agencies**

Due to other governmental agencies consisted of amounts due to the Commission amounting to \$125,000 at June 30, 2007.



**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE D - CAPITAL ASSETS**

The changes in capital assets designated for the operation of the County for the year ended June 30, 2007, are as follows:

	Balance (as restated) June 30, 2006	Additions	Deletions	Balance June 30, 2007
<b>Non-depreciable capital assets</b>				
Land	\$ 6,634,569	\$ 205,971	\$ -	\$ 6,840,540
Construction in progress	896,662	6,246	-	902,908
<b>Depreciable capital assets</b>				
Land improvements	1,615,677	941,700	-	2,557,377
Buildings	72,965,972	-	-	72,965,972
Machinery and equipment	7,087,493	620,430	(327,323)	7,380,600
Vehicles	8,843,461	406,521	(284,776)	8,965,206
Infrastructure	56,310,293	4,323,262	(1,569,694)	59,063,861
	<u>146,822,896</u>	<u>6,291,913</u>	<u>(2,181,793)</u>	<u>150,933,016</u>
Accumulated depreciation	(48,877,373)	(3,690,983)	948,637	(51,619,719)
	<u>97,945,523</u>	<u>2,600,930</u>	<u>(1,233,156)</u>	<u>99,313,297</u>
	<u>\$105,476,754</u>	<u>\$2,813,147</u>	<u>\$(1,233,156)</u>	<u>\$107,056,745</u>

During the year ended June 30, 2007, the City annexed a bridge from the County with a cost of \$566,277; this bridge had been fully depreciated.

The following is a reconciliation of invested in capital assets, net of related debt:

Capital assets net of accumulated depreciation	\$ 107,056,745
Related debt	<u>(6,959,497)</u>
Invested in capital assets, net of related debt	<u>\$ 100,097,248</u>

Depreciation expense was charged to functions as follows:

<b>Governmental activities:</b>	
General Government	\$ 2,688,987
Public Works	706,580
Public Health and Human Services	<u>295,416</u>
Total Depreciation Expense	<u>\$ 3,690,983</u>

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE E - IRREVOCABLE LETTERS OF CREDIT**

The County had two irrevocable letters of credit for \$3,000,000 and \$300,000 with a financing institution which had no activity during the current year and had no outstanding balance at June 30, 2007. The letters of credit agreements expired August 10, 2007 and July 31, 2007, respectively.

**NOTE F - LONG-TERM LIABILITES**

**Capital Lease Obligations**

The County has entered into several capital lease agreements for equipment and vehicles with monthly installments of \$1,315 to \$4,163 with interest rates ranging from 3.15% to 3.65%. Assets under capital leases totaled \$410,000 with related accumulated depreciation of \$267,965 at June 30, 2007.

**Bonds Payable**

Bonds payable as of June 30, 2007, are summarized as follows:

\$7,145,000 Tax Supported Lease Rental Bonds, Series 1998, issued October 3, 1998, payable in scheduled semiannual installments including principal amounts ranging between \$265,000 to \$335,000 plus interest, due on July 15, and January 15, commencing July 15, 1998, with interest ranging from 4.0% to 4.5%, final payment due July 15, 2012. \$ 3,320,000

\$4,840,000 Limited Tax Building Bonds, Series 2004, issued June 30, 2004, payable in scheduled semiannual installments including principal amounts ranging between \$320,000 to \$610,000 plus interest, due on May 1 and November 1, commencing November 1, 2005, with interest ranging from 1.65% to 4.00%, final payment due November 1, 2014.

Total bonds payable	<u>3,530,000</u>
Less current portion	6,850,000
	(1,135,000)
	<u>\$ 5,715,000</u>

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE F - LONG-TERM LIABILITIES (Continued)**

Change in long-term obligations for the year ended June 30, 2007 was as follows:

<u>Governmental-type Activity:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Capital Lease Agreements	\$ 167,654	\$ -	\$ (58,157)	\$ 109,497	\$ 37,209
Bonds Payable	7,960,000	-	(1,110,000)	6,850,000	1,135,000
	8,127,654	-	(1,168,157)	6,959,497	1,172,209
Compensated Absences	4,474,508	763,200	-	5,237,707	-
Governmental-type Activity Long-Term Liabilities	<u>\$ 12,602,162</u>	<u>\$ 763,200</u>	<u>\$ (1,168,157)</u>	<u>\$ 12,197,204</u>	<u>\$ 1,172,209</u>

At June 30, 2007, future maturities of long-term debt and related interest, for the succeeding fiscal years for governmental type funds are as follows:

<u>Year ending June 30,</u>	<u>Principal payments</u>	<u>Interest payments</u>
2008	\$ 1,172,209	\$ 250,320
2009	1,206,277	209,784
2010	1,219,823	166,191
2011	955,331	124,831
2012	1,000,857	85,363
2013 - 2015	1,405,000	72,301
Total	<u>\$ 6,959,497</u>	<u>\$ 908,790</u>

**NOTE G - INTERFUND TRANSFERS**

Transfers are related to funding for capital projects, lease payments, debt service, or reallocations of special revenues. The following schedule briefly summarizes the County's transfer activity:

		<u>Transfers In</u>				
		<u>General Fund</u>	<u>Bridges &amp; Special Road Fund</u>	<u>Lancaster Manor Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Transfers Out	General Fund	\$ -	\$5,139,549	\$ -	\$ 285,299	\$5,424,848
	Bridges & Special Road Fund	-	-	-	-	-
	Lancaster Manor Fund	-	-	-	-	-
	Other Governmental Funds	22,963	-	2,500	-	25,463
		<u>\$ 22,963</u>	<u>\$5,139,549</u>	<u>\$ 2,500</u>	<u>\$ 285,299</u>	<u>\$5,450,311</u>

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE H - LEASES**

**Operating Leases**

The County leases the County/City Building, the 233 Building, the K Street Power Plant, the Justice and Law Enforcement, the 9<sup>th</sup> and J Building, and parking spaces at no cost to the Commission. The Commission uses the premises for the purpose of providing space to the City and County departments, agencies, and functions. The Commission is responsible for furnishing services, including heat, water, electricity, air conditioning, elevator service, cleaning services and maintenance, and repair to the City and County departments inhabiting the space. The costs to the Commission are funded through charges to the inhabitants based upon the number of square feet of space allocated annually. The amount charged to the inhabitants is based on total expenditures incurred in the previous year. These charges are then allocated based on square footage held by the inhabitant. This is done each year. The County paid rent reimbursement of \$3,732,430 to the Commission for the year ended June 30, 2007. The leases for the County/City Building, the 233 Building and parking space continue until all of the bonds have been fully paid and are no longer outstanding. The lease for the K Street Power Plant expires on October 15, 2014.

The Community Mental Health Center (a special revenue fund of the County) maintains month-to-month operating leases for various apartments used to house the mentally ill, as well as office space used for operations. Lease expenditures paid were approximately \$75,320 for the year ended June 30, 2007.

**Lancaster Manor Lease Agreement**

The Corporation contracted with the County for the lease of the property known as Lancaster Manor. The contract requires lease payments in the amount necessary to satisfy the bond and interest requirements. The lease payments received during the year ended June 30, 2007 were enough to cover the interest requirements, but not the bond principal requirements. The contract provides that the Corporation shall retain title to the building and land until the bonds are paid in full. Upon retirement of the bonds, the building and land becomes the property of the County. All contract payments are assigned to Wells Fargo as paying agent of the outstanding bonds and interest. The bonds maturing on or after January 15, 2007 are subject to redemption prior to maturing at the option of the Corporation.

The minimum rental payments are required by the lease agreement unless sufficient funds exist in restricted cash and investment accounts, whereby, the County may abate the minimum rental payments. Required minimum rental payments for the year ended June 30, 2007 were partially abated in accordance with the lease agreement. Due to the partial abatement of rental payments for the year ended June 30, 2007, this lease is treated by the Corporation as an operating lease in accordance with Financial Accounting Standards Board (FASB) Statement No. 13, *Accounting for Leases*.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
Year Ended June 30, 2007

**NOTE H - LEASES (Continued)**

The following are the future minimum rental payments required under the terms of the lease:

<u>Year Ending June 30,</u>	
2008	\$ 681,820
2009	684,303
2010	685,295
2011	684,643
2012	692,076
Thereafter	<u>342,538</u>
Total Minimum Payments Required	<u>\$ 3,770,675</u>

**NOTE I - EMPLOYEES' RETIREMENT SYSTEM**

The County Board of Commissioners has adopted the provisions of Section 23-1118, R.R.S. 1943, a Nebraska State Statute, which provides any county that has a population of more than 100,000 inhabitants, the authority to provide retirement benefits to its employees and to establish a fully funded, single-employer, defined contribution retirement plan, the Lancaster County Nebraska Employees' Retirement Plan (the Plan).

The Plan automatically covers substantially all regular employees who have attained age 25 and completed one year of continuous service. Upon attaining age 21 and after completing six months of continuous service, employees may voluntarily enter the Plan. The employee has the choice of whether or not to participate in the Plan if the employee has attained the age of 55 prior to the date of employment. The County is required to contribute 150% of each participant's mandatory contribution. The participant's mandatory contribution is 5.2% of the participant's salary. The combined contributions cannot exceed 13% of earned income. At June 30, 2007, there were 1,418 plan members.

Several different payment options, based upon the full accumulated value of participant contributions and the vested portion of employer contributions, are available to the participant upon death, disability, normal retirement at age 60, or early retirement at age 55 with ten consecutive years of participation in the Plan.

The employee and employer contributions are maintained in separate accounts. The employee account is always fully vested. The employer account vests at 20 percent per year for years three through seven in the Plan. For the year ended June 30, 2007, employees contributed \$2,328,100 and the County contributed \$3,650,217, which includes employee forfeitures, to the Plan. A final category represents deposits made to the plan other than normal payroll deferrals and employee benefits, which could include loan repayments or rollover deposits, comprises the remaining balance of total contributions.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE J - POST-EMPLOYMENT BENEFITS**

The Lancaster County post-employment health program was established in September 1998 as a defined contribution plan to enable the County to set aside monies for employees, based upon employee group, to use for qualified medical expenses after termination. At June 30, 2007, there were approximately 1,200 plan members. Contributions by the County are based upon amounts expressly stated in Union contracts by tier status of employee. Total employer contributions during fiscal year 2007 were \$1,141,167. The employee is not required to contribute to the trust fund. The money is paid to an account in the employee's name on a "pay as you go" basis. The employee accounts are administered by Nationwide Investment Corporation. Plan investments are reported at fair value.

After six months of employment with the County, employees in four of the six employee groups are automatically enrolled in the program at no cost to the employee. The qualification for this program is listed under the Internal Revenue Code 510(c)(9). All contributions and expenditures are outlined in the Trust Agreement and Participation Agreement and may change from time to time to comply with the changes in the Trust Agreement or tax code.

**NOTE K - RISK MANAGEMENT**

The County 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 natural disasters. These risks of loss are covered by various commercial insurance policies (with various deductibles) with the exception of workers' compensation and general liability. The County has established the Workers' Compensation Loss Fund Other and Self-Insurance Loss Funds (proprietary funds) to account for and finance a portion of its uninsured risks of loss. The County is self-insured up to \$600,000 per occurrence for workers' compensation risks and up to \$250,000 per occurrence for general liability risks. The self-insurance programs are administered by the Workers' Compensation and Risk Management Manager. Settled claims have not exceeded commercial coverage in any of the last three years. Commercial insurance covers the excess of the self-insured amount to a maximum of \$1,000,000 for employers' liability, current statutory limits of \$2,000,000 for workers' compensation and \$5,000,000 for general liability.

The County utilizes the services of an actuary to prepare an analysis of the self-insured workers' compensation and general liability risks. The analysis is used to assist the County with its financial planning, budgeting, and management of the self-insurance programs. The programs are funded on a cash basis with annual premiums charged to all governmental fund types, except Lancaster Manor Fund, based on past experience of incurred losses and remitted to the Workers' Compensation Loss and Self-Insurance Proprietary Funds.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE K - RISK MANAGEMENT (Continued)**

FASB Statement No. 5, *Accounting for Contingencies* requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The County has not purchased annuity contracts from commercial insurers to satisfy certain liabilities under workers' compensation or general liability claims. The estimated liability for claims is \$1,185,521 at June 30, 2007. For some of the claims deemed probable or certain, no liability could be estimated. Not included in these estimates are an estimated \$58,576 related to claims that were incurred after year end but before January 25, 2008.

**NOTE L - COMMITMENTS AND CONTINGENT LIABILITIES**

Several claims were filed against the County relating to several wrongful death lawsuits, injuries, and medical expenses. In management's opinion, it is premature at this time to determine the likelihood of an unfavorable outcome or the range of potential loss on these claims.

The Lancaster Manor (a special revenue fund of the County) is not part of the Workers' Compensation Loss Fund and pays its claims on a cash basis. As of June 30, 2007 the Lancaster Manor had no liability related to contingent liabilities. The County has not set aside funds to cover this estimated liability and will pay them when and if these claims come due. For claims deemed probable or certain, no liability could be estimated.

**NOTE M - CONDUIT DEBT**

The County has participated in the following conduit debt arrangements:

Hospital Authority No. 1 - Bryan LGH Medical Center

Lancaster County has issued Revenue Refinancing Bonds, for \$35,750,000 to refinance the Series 1988 bonds. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$14,970,000.

Hospital Authority No. 1 - Lincoln Medical Education Foundation, Inc.

Lancaster County has issued Industrial Development Revenue Bonds for \$4,250,000 to finance a portion of the costs of the acquisition, construction, equipping and installing healthcare and related facilities. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$1,420,000.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE M - CONDUIT DEBT (Continued)**

Hospital Authority No. 1 - Lincoln/Lancaster Drug Projects

Lancaster County has issued Industrial Development Revenue Bonds for \$1,515,000 to acquire and renovate a facility to be occupied by Center Pointe, a substance abuse center. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$1,250,000.

Hospital Authority No. 1 - Bryan LGH Medical Center

Lancaster County has issued Industrial Development Revenue Bonds for \$33,980,000 to pay for the cost of constructing, acquiring, equipping and furnishing certain capital improvements to the hospital's facilities. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$23,080,000.

Hospital Authority No. 1 - Dialysis Center (Series 2000)

Lancaster County has issued Industrial Development Revenue Bonds for \$950,000 to provide for payment of principal and interest on the 1996 bonds and to pay a portion of the costs of acquiring equipment and furnishing for a 12 station hemodialysis facility located at 4911 North 26<sup>th</sup> Street, Lincoln, Nebraska. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$400,000.

Hospital Authority No. 1 - Eastmont Towers Project (Series 2004)

Lancaster County has issued Industrial Development Revenue and Refunding Bonds not to exceed \$4,255,000 to refund the Series 1999 Revenue Bonds (Eastmont Towers Project) for both the project and facilities located at 6315 "O" Street, Lincoln, Nebraska. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$3,960,000.



**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE M - CONDUIT DEBT (Continued)**

Hospital Authority No. 1 - Immanuel Retirement Communities (Series 2000A)

Lancaster County has issued Variable Rate Health Facility Revenue Bonds for \$37,000,000 to finance the cost of purchasing, constructing, acquiring and improving a healthcare and residential facility for the elderly owned by Immanuel Retirement Communities. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$33,530,000.

Hospital Authority - Bryan LOH (Series 2001A)

Lancaster County has issued Hospital Revenue Bonds for \$78,380,000 to be used for the Bryan LGH Medical Center Project. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$76,245,000.

Hospital Authority - Development Services of Nebraska (Series 2001)

Lancaster County has issued Industrial Development Revenue Bonds for \$1,400,000 to finance healthcare facilities to be located at 8125 Joshua Drive, 1720 Timber Ridge Road and 5001 North 57<sup>th</sup> Street. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$981,273.

Tabitha, Inc. (Series 2001)

Lancaster County has issued Industrial Development Revenue Bonds for \$1,389,000 to be used for the acquisition, construction and equipping of improvements and additions to healthcare facilities owned and operated by Tabitha, Inc. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$796,371.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE M - CONDUIT DEBT (Continued)**

Plastic Companies Enterprises, Inc. (Series 2002)

Lancaster County has issued Industrial Development Revenue Bonds not to exceed \$1,300,000 to defray all or a portion of the cost of acquiring, and installing certain equipment for the molding of plastics and related necessary and appropriate equipment and facilities located in Lancaster County, Nebraska and operated by Plastic Companies Enterprises, Inc., a Texas corporation and its wholly-owned subsidiaries, Geist Manufacturing Corp. and Heinke Technology, Inc. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$543,921.

Hospital Authority No. 1 - Tabitha, Inc. Project (Series 2003)

Lancaster County has issued Industrial Development Revenue Bonds, not to exceed \$4,000,000, to acquire, construct and equip improvements and additions to health care facilities owned and operated by Tabitha, Inc. for facilities located at 4720 Randolph Street, Lincoln, Nebraska. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$2,883,706.

Hospital Authority No. 1 - Madonna Rehabilitation Project (Series 2003 A, B, & C)

Lancaster County has issued Industrial Development Revenue and Refunding Bonds, not to exceed \$10,000,000, for the purpose of providing financing for the acquisition and installation of equipment and related remodeling for use by Madonna at its rehabilitation facilities. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$5,905,000.

Hospital Authority No. 1 - Bryan LGH Medical Center Project (Series 2002)

Lancaster County has issued Industrial Development Revenue Bonds not to exceed \$45,000,000 for the benefit of Bryan LGH Medical Center, the general functional description of the type and use of the project being the acquisition and installation of equipment and related remodeling for use by Bryan LGH Medical Center at its acute care hospital facilities. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$34,455,000.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE M - CONDUIT DEBT (Continued)**

Hospital Authority No.1 - Grand Lodge Project (Series 2003)

Lancaster County has issued Industrial Development Revenue Bonds for \$9,700,000 for the Grand Lodge Project, Grand Lodge Retirement Community, Inc., an ancillary care facility. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$9,150,761.

Hospital Authority No. 1 - Bryan LGH Medical Center (Series 1996)

Lancaster County has issued Industrial Development Revenue Bonds for \$34,725,000 to finance a portion of the acquisition expenses by Bryan LGH Medical Center of certain assets of Lincoln General Hospital, to pay for routine capital expenditures of Lincoln General Hospital, to pay the premium on the bond insurance policy and to pay certain costs incurred in connection with the issuance of the 1997B bonds. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$34,725,000.

Lincoln Action Program (Series 1999)

Lancaster County has issued Industrial Development Revenue Bonds for \$2,500,000 to finance the construction of the new facility for lease to the Lincoln Action Program. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$2,200,000.

Goodwill Industries (Series 1999)

Lancaster County has issued Industrial Development Revenue Bonds for \$500,000 to acquire and construct an industrial warehouse facility and remodel office space and related improvements. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$282,676.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE M - CONDUIT DEBT (Continued)**

Garner Industries (Series 2000 A and B)

Lancaster County has issued Industrial Development Revenue Bonds for \$6,500,000 for the acquisition, construction, installation and completion of land and depreciable property for a manufacturing project for Garner Industries, Inc. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$4,905,000.

Hospital Authority No. 1 - Child Guidance Project (Series 2003)

Lancaster County has issued Industrial Development Revenue and Refunding Bonds not to exceed \$1,300,000 for the purpose of providing financing for the Lincoln/Lancaster County Child Guidance Center, Inc. Project. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$832,270.

Hospital Authority No.1 - Cornhusker Place Project (Series 2003)

Lancaster County has issued Industrial Development Revenue and Refunding Bonds not to exceed \$2,200,000 to refinance existing debt and to make improvements to the facility located at 721 "K" Street, Lincoln, Nebraska. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$1,350,268.

Hospital Authority No.1 - CenterPointe Project (Series 2004)

Lancaster County has issued Industrial Development Revenue and Refunding Bonds not to exceed \$2,300,000 to finance the cost of acquiring certain real property and paying the costs of construction, installation, equipping and furnishing a building on such real property for the CenterPointe project. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$2,194,086.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE M - CONDUIT DEBT (Continued)**

Hospital Authority No. 1 - Madonna Rehabilitation Project (Series 2004)

Lancaster County has issued Industrial Development Revenue and Refunding Bonds not to exceed \$9,000,000 to finance the acquisition, construction, equipping and furnishing of a clinically integrated health center facility between 53<sup>rd</sup> and 54<sup>th</sup> and Pine Lake Road in Lincoln, Nebraska. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$7,853,355.

Hospital Authority No. 1 - Cornhusker Place (Series 2005)

Lancaster County has issued Industrial Development Revenue and Refunding Bonds not to exceed \$450,000 to finance the extension of the bonds issued to refinance existing debt and to make improvements to the facility located at 721 "K" Street, Lincoln, Nebraska. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$341,109.

Hospital Authority No. 1 - Clark Jeary Home Project (2005)

Lancaster County has issued Industrial Development Revenue and Refunding Bonds, not to exceed \$7,000,000 to finance a portion of the costs of acquiring, construction, equipping and furnishing an assisted living facility owned and operated by Clark Jeary at 8401 South 33<sup>rd</sup> Street, Lincoln, Nebraska. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$6,890,763.

Hospital Authority No. 1 - Eastmont Towers (2007)

Lancaster County has issued Industrial Development Revenue and Refunding Bonds, not to exceed \$2,800,000 to enable the Authority to finance renovations and additions to the facilities of Christian Retirement Homes (Eastmont Towers), and to reimburse CRH for costs previously incurred for such activities. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$2,700,000.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE M - CONDUIT DEBT (Continued)**

Hospital Authority No. 1 - St. Monica's Home (Series 2006)

Lancaster County has issued Industrial Development Revenue and Refunding Bonds, not to exceed \$2,000,000 to finance or refinance the costs of acquiring, renovating, remodeling, equipping and furnishing certain healthcare facilities to be owned and operated by St. Monica's Home located at 120 Wedgewood Drive, Lincoln, Nebraska. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$2,000,000.

Hospital Authority No. 1 - Community Blood Bank Lancaster County Medical Society (Series 2007)

Lancaster County has issued Revenue Bonds, for \$1,950,000 for the Community Blood Bank of Lancaster County Medical Society project, the medical services facilities, to be located at 100 N 84<sup>th</sup> Street. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$1,950,000.

Hospital Authority No. 1 - Bryan LGH Medical Center Project (Series 2006)

Lancaster County has issued Industrial Development Revenue Bonds, not to exceed \$59,465,000, for the benefit of Bryan LGH Medical Center. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$58,020,000.

Hospital Authority No. 1 - Bryan LGH Medical Center Project (Series 2007A1)

Lancaster County has issued Industrial Development Revenue Bonds, not to exceed \$90,000,000, for the benefit of Bryan LGH Medical Center. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$41,925,000.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE M - CONDUIT DEBT (Continued)**

Hospital Authority No. 1 - Bryan LGH Medical Center Project (Series 2007A2)

Lancaster County has issued Industrial Development Revenue Bonds, not to exceed \$90,00,000, for the benefit of Bryan LGH Medical Center. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$41,925,000.

Hospital Authority No. 1 - Clark Jeary Home Project (Series 2007)

Lancaster County has issued Industrial Development Revenue and Refunding Bonds, not to exceed \$1,000,000, to finance a portion of the costs of acquiring, construction, equipping, and furnishing an assisted living facility owned and operated by Clark Jeary at 8401 S. 33<sup>rd</sup> Street, Lincoln, Nebraska. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$900,000.

Hospital Authority No. 1 - Community Blood Bank Lancaster County Medical Society (Series 2006)

Lancaster County has issued Revenue Bonds, for \$1,800,000 for the Community Blood Bank of Lancaster County Medical Society project, the medical services facilities, to be located at 2700 Fletcher Avenue, Lincoln, Nebraska. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$1,200,000

**NOTE N - FUND DEFICITS**

The County Property Management Fund had a fund balance deficit of \$323 within the Governmental Activities at June 30, 2007.

**NOTE O - PRIOR PERIOD ADJUSTMENT**

The accompanying financial statements reflect the following prior period adjustments for net assets and fund balances. Adjustments to net assets were related to capital assets not recorded in the prior year and an overstatement of bonds payable, deferred revenue not having been recorded related to taxes receivable, and compensated absences not previously recorded.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE O - PRIOR PERIOD ADJUSTMENT (Continued)**

To correct for these errors, beginning net assets were increased by \$19,457,161. As a result, the beginning net assets of \$125,003,411, as originally reported, have been increased to \$144,460,572. The changes to beginning net assets are as follows:

	Beginning balance, as previously stated	Prior period adjustment	Beginning balance, as restated
Capital assets	\$ 135,451,481	\$ 16,825,000	\$ 152,276,481
Bonds payable	\$ (11,810,000)	\$ 3,850,000	\$ (7,960,000)
Deferred revenue	\$ -	\$ (1,315,294)	\$ (1,315,294)
Compensated absences	\$ -	\$ (2,042,595)	\$ (2,042,595)

Adjustments to fund balances relate to items referred to above and not correctly reported in the prior year. To correct for these errors, beginning fund balances were increased by \$1,641,839. As a result, the beginning fund balance of \$37,031,411, as originally reported, has been decreased to \$38,673,250. The changes to beginning fund balances are as follows:

	Beginning fund balance as previously stated	Prior period adjustment	Beginning balance, as restated
General Fund (011)	\$ 28,064,343	\$ 1,350,854	\$ 29,415,197
Group Insurance Fund (014)	\$ 4,857,153	\$ 37,658	\$ 4,894,811
Visitors Promotion Fund (019)	\$ 601,840	\$ 152,125	\$ 753,965
Federal Grants Fund (027)	\$ 168,632	\$ 261,111	\$ 429,743
Keno Fund (028)	\$ 678,034	\$ 56,651	\$ 734,685
Mental Health Fund (063)	\$ 1,310,683	\$ (460,553)	\$ 850,130
County/City Property Management Fund (065)	\$ 52,066	\$ 281,651	\$ 333,717
Lancaster Leasing Corporation	\$ 6,205,410	\$ (837,635)	\$ 5,367,775



**APPENDIX C**

**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 88.72 square miles, and in its growth and development has annexed five other municipalities so that the City includes most of the urban area of Lancaster County. It enjoys a unique position in Nebraska as the center of the state governmental and educational activities. It is currently one of the fastest growing non-Sunbelt cities in the U.S. and one of the fastest growing metro areas in the Midwest.

## Population

The 1960 population of the City was 128,521; the 1970 population was 149,510; the 1980 population was 171,932; the 1990 population was 191,972; and the 2000 population was 225,588, a 17.5 percent increase over the 1990 count. The 2000 count represents approximately 90 percent of the population of Lancaster County, the county in which the City is located. The estimated 2007 population is 241,167.

## 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 6,114 acres maintained for public use, eleven public swimming pools, and five public golf courses. The City has cooperated actively with the county government in several joint governmental buildings, and in other specific areas of responsibility, including health, planning, civil defense, data processing, tax collection, parks, and jail facilities. There are cooperative agreements with the United States government on parks and flood control, with the University of Nebraska on planning and property transfer, with the area Watershed District on flood control, and with the Lincoln School District on recreation.

## Transportation

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

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

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

## Government Center

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

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

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

## Education

The University of Nebraska, with approximately 22,000 students, Nebraska Wesleyan University, with approximately 2,000 students, Union College, with approximately 900 students, Kaplan University, with approximately 700 students and Southeast Community College, with approximately 10,000 students and with a number of facilities for both full-time and part-time occupational training, are in the City of Lincoln. The City's modern and progressive school system, with an enrollment of over 32,000 is served by 6 senior high schools, 10 middle schools, and 36 elementary schools. Lincoln is home to nearly 30 private and parochial schools. Lincoln's private school offerings range from pre-K to high school institutions. Affiliations include Roman Catholic, Lutheran, SDA, and nondenominational Christian.

## Building Permits and Property Values

FISCAL YEAR	LAST TEN YEARS						TOTALS
	COMMERCIAL 1 CONSTRUCTION		RESIDENTIAL 1 CONSTRUCTION		PROPERTY VALUE 2		
	# PERMITS	VALUE	# PERMITS	VALUE	COMMERCIAL	RESIDENTIAL	
2007	994	\$ 293,968,408	2,820	\$ 202,786,768	\$ 4,236,340,817	\$ 10,402,515,684	\$ 14,638,856,501
2006	1,088	263,006,153	3,150	195,885,622	3,814,534,869	9,083,290,211	12,897,825,080
2005	1,092	204,677,969	3,387	277,158,200	3,694,097,147	8,727,702,573	12,421,799,720
2004	1,061	258,670,339	3,846	321,126,701	3,598,787,015	8,402,403,364	12,001,190,379
2003	1,036	269,298,229	3,913	315,666,242	3,094,988,486	7,255,640,292	10,350,628,778
2002	1,013	245,476,386	3,405	262,293,941	2,855,200,333	7,048,688,380	9,903,888,713
2001	1,017	215,856,679	3,212	231,390,626	2,540,905,431	6,273,610,610	8,814,516,041
2000	1,069	181,983,107	3,385	225,622,611	2,356,367,014	6,067,493,586	8,423,860,600
1999	1,148	186,569,754	3,235	206,065,342	2,132,780,337	5,726,511,673	7,859,292,010
1998	1,093	119,532,867	3,109	185,894,741	2,001,814,878	4,863,604,491	6,865,419,369

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

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

## Police and Fire Protection

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

## City Employee Information

For the 2007-2008 fiscal year, contracts have been signed with all of our unions. Unions include: the Lincoln Police Union (LPU) representing police officers; the International Association of Firefighters (IAF) representing firefighters, the Amalgamated Transit Union (ATU) representing transit workers, the Public Association of Government Employees (PAGE) representing labor, trades, and clerical personnel, and the City Employees Association (CEA) representing supervisory, highly technical, and professional personnel. The LPU, IAF, CEA and PAGE contracts expire at the end of August, 2008; and the ATU contract expires at the end of August, 2009.

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

## SELECTED ECONOMIC INDICATORS

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

	MAY 31, 2007		NOVEMBER 30, 2007	
	Number Employed	Percent of Total	Number Employed	Percent of Total
<b>Industry Manufacturing:</b>				
Durable Goods	8,219	4.9	8,414	4.9
Nondurable Goods	5,414	3.2	5,374	3.2
<b>Total Industry Manufacturing</b>	<b>13,633</b>	<b>8.1</b>	<b>13,788</b>	<b>8.1</b>
<b>Nonmanufacturing:</b>				
Natural Resource & Construction	8,512	5.1	8,448	5.0
Transportation, Communications & Utilities	7,462	4.4	7,658	4.5
Wholesale Trade	3,759	2.2	3,577	2.1
Retail Trade	17,062	10.1	17,686	10.4
Information	2,619	1.7	2,696	1.7
Finance, Insurance & Real Estate	12,608	7.5	12,743	7.5
Services (except domestic)	64,854	38.5	65,450	38.5
Government	37,780	22.4	37,722	22.2
<b>Total Nonmanufacturing</b>	<b>154,656</b>	<b>91.9</b>	<b>155,980</b>	<b>91.9</b>
<b>TOTAL</b>	<b>168,289</b>	<b>100.0</b>	<b>169,768</b>	<b>100.0</b>

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 2007-1998) (For the Calendar Year Indicated)

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Civilian Labor Force	157,887	157,632	157,999	158,444	156,940	153,021	150,846	150,239	142,384	142,918
Unemployment	4,462	4,592	5,643	5,346	5,841	5,007	4,209	3,542	3,397	3,208
Percent of Labor Force	2.8	2.9	3.6	3.4	3.7	3.3	2.8	2.4	2.4	2.2
Employment	153,425	153,040	152,355	153,098	151,100	148,013	146,636	146,697	138,987	139,710

### STATE OF NEBRASKA

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

Source: State of Nebraska, Department of Labor

**DEMOGRAPHIC STATISTICS  
LAST TEN YEARS**

<u>Year</u>	<u>Population 1</u>	<u>Per Capita Personal Income 2</u>	<u>School Enrollment 3</u>
2007	241,167	\$	33,466
2006	239,213		32,934
2005	238,625	32,248	32,505
2004	236,146	31,587	32,270
2003	235,565	30,064	31,889
2002	231,800	28,656	31,867
2001	225,588	28,354	31,581
2000	218,497	27,588	31,354
1999	217,537	26,009	31,052
1998	215,000	25,272	31,000

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 2006 and 2007 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**

<u>Year</u>	<u>Water Customers</u>	<u>Gas Customers</u>	<u>Electricity Customers</u>
2007	76,816	93,301	124,878
2006	75,919	92,824	123,376
2005	74,649	92,152	121,508
2004	73,059	91,046	119,456
2003	72,260	89,642	116,974
2002	69,704	89,085	114,388
2001	68,187	87,749	112,247
2000	66,956	86,501	110,414
1999	65,823	85,156	108,194
1998	64,423	80,770	105,970

Source: Indicated Utility Companies

## SELECTED FINANCIAL STATISTICS

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

Fiscal Year	General Government	Public Safety	Streets And Highways	Culture And Recreation	Economic Opportunity	Health And <sup>3</sup> Welfare	Mass <sup>2</sup> Transit	Debt Service	Totals
2007	\$ 33,946,258	60,953,651	17,430,452	21,719,544	11,670,315	20,378,863	14,877,357	11,589,720	192,566,160
2006	34,666,641	60,064,604	16,928,575	20,938,212	12,623,307	25,566,267	8,901,327	11,016,269	190,705,202
2005	32,532,685	58,669,932	17,064,845	21,669,847	14,870,592	19,126,931	8,306,921	10,562,993	182,804,746
2004	30,884,544	55,272,920	13,633,902	22,308,940	14,728,510	18,544,667	10,525,090	7,914,521	173,813,094
2003	28,938,852	50,933,285	12,317,663	19,935,823	16,469,645	17,614,751	7,996,019	8,507,223	162,713,261
2002	27,237,134	49,913,169	10,833,055	16,974,798	14,017,601	17,989,603	12,691,837	7,411,878	157,069,075
2001	23,821,580	48,122,074	11,175,059	14,806,760	12,559,336	15,862,462	-	7,742,690	134,089,961
2000	23,529,495	44,042,882	9,039,840	13,958,414	11,204,029	13,974,690	-	7,924,295	123,673,645
1999	21,891,174	41,555,922	9,406,531	13,254,994	10,215,261	11,709,801	-	9,181,071	117,214,754
1998	30,170,768	41,140,827	8,992,439	13,111,328	12,009,990	10,979,131	-	9,651,132	126,055,615

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

<sup>2</sup> StarTran added as a Governmental Fund in 2002.

<sup>3</sup> Community Health Permanent Endowment Fund added as a Governmental Fund in 1999.

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

Fiscal Year	Taxes And Special Assessment	Inter-Governmental	Permits And Fees	Reimbursement For Services	Investment Earnings	Other	Totals
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 <sup>2</sup>	105,139,052	59,029,609	12,449,879	5,605,557	4,606,825	10,325,634	197,156,556
2001	95,016,014	48,619,317	9,638,475	5,071,766	8,005,027	9,146,189	175,496,788
2000	92,305,453	35,807,100	9,838,029	4,896,203	9,330,374	10,246,196	162,423,355
1999 <sup>3</sup>	88,259,613	35,600,952	8,685,268	4,366,482	8,016,026	7,684,411	152,612,752
1998	84,391,111	41,035,908	9,131,287	3,709,572	4,726,874	9,389,155	152,383,907

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

<sup>2</sup> StarTran added as a Governmental Fund in 2002.

<sup>3</sup> Community Health Permanent Endowment Fund added as a Governmental Fund in 1999.

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

Fiscal Year Ended <u>August 31</u>	Special Assessment Collections <u>Including Interest</u>
2007	\$ 1,448,146
2006	1,667,037
2005	1,413,582
2004	2,104,925
2003	1,814,191
2002	1,867,653
2001	1,796,924
2000	1,948,791
1999	2,359,812
1998	2,104,022

<sup>1</sup> 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 2007 tax levy for the 2007-2008 fiscal year is \$69,877,835 below the legal limit, a tax rate per \$100 valuation of .28788. The assessed value upon which the 2007 levy is based is \$15,653,926,490. By charter, only 90% of the property tax levy may be appropriated.

For the 2007-2008 fiscal year the City is subject to a state imposed lid on the appropriation of "restricted funds", which are revenues received from property tax, sales tax, state aid, in-lieu of tax, municipal infrastructure redevelopment fund (MIRF), and highway allocation fees. Bonded indebtedness, capital improvements, and costs associated with interlocal agreements are exempt from the lid. For 2007-2008 the City can also use authority equal to the amount of real growth in the tax base of 2.67%. An additional 1% can be authorized by a 75% vote of the City Council and was utilized for the 2007-2008 budget. The 2007-2008 budget is approximately \$9.1 million below the state imposed lid limit.

**PROPERTY TAX LEVIED AND COLLECTED  
LAST TEN YEARS**

The fiscal year of the City begins September 1 and ends August 31. Taxes are levied in October. First installments of real estate taxes are delinquent the following April 1, second installments delinquent August 1; personal property taxes are delinquent April 1 and August 1. Delinquent taxes bear 14 percent interest. The figures below include interest and penalties. The figures below do not include motor vehicle in lieu of ad valorem taxes.

Tax Year	Taxes Levied	Collected As Of August 31 After Levy		Accumulated Collections As Of August 31, 2007	
		Amount	Percent	Amount	Percent
2007	\$ 43,475,089	\$ 41,848,163	96.26 %	\$ 41,848,163	96.26 %
2006	40,873,358	39,579,041	96.83	41,056,233	100.45
2005	38,755,995	37,514,748	96.80	38,865,545	100.28
2004	36,994,112	35,726,509	96.57	37,031,950	100.10
2003	35,007,926	33,676,453	96.20	35,040,134	100.09
2002	33,731,282	32,501,760	96.35	33,833,251	100.30
2001	31,159,364	29,936,079	96.07	31,145,790	99.96
2000	29,603,794	28,665,780	96.83	29,761,421	100.53
1999	27,597,664	26,411,546	95.70	27,511,095	99.69
1998	26,812,692	25,758,577	96.07	26,975,935	100.61

**TEN LARGEST TAXPAYERS**

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

<u>Taxpayers</u>	<u>Type Of Business</u>	<u>2007 Assessed Valuations</u>	<u>Percentage Of Total Assessed Valuation</u>
Alltel Communications	Telecommunications	\$ 72,471,636	.47%
B & J Partnership Ltd.	Building Management	71,086,013	.46
Kawasaki	Manufacturing	68,098,040	.44
WEA Gateway LLC	Retail Management	59,386,082	.39
Ameritas Life Insurance Corp	Insurance	50,334,651	.33
Chateau Van Dorn LLC	Real Estate Development	49,958,335	.33
Pfizer	Animal Health	48,138,439	.31
Nebco	Construction/Development	47,148,845	.31
Burlington Northern	Railroad	46,701,614	.30
Molex Inc.	Manufacturing	<u>38,979,611</u>	<u>.25</u>
		<u>\$ 552,303,266</u>	<u>3.59%</u>



### CITY SALES TAX INFORMATION

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

### SALES AND USE TAX COLLECTIONS LAST TEN YEARS

<u>Year Ended August 31</u>	<u>Amount</u>
2007	\$ 53,960,485
2006	54,270,346
2005	53,781,209
2004	51,869,477
2003	48,657,268
2002	45,393,491
2001	44,486,127
2000	43,608,313
1999	41,642,771
1998	37,479,413

### GENERAL FUND TAX COLLECTIONS LAST TEN YEARS

<u>Fiscal Year</u>	<u>Property and Motor Vehicle Taxes</u>	<u>Sales and Use Taxes</u>	<u>Insurance Taxes</u>	<u>Sundry Taxes</u>	<u>Taxes In Lieu</u>	<u>Occupation Taxes</u>	<u>Total</u>
2007	\$ 31,454,763	53,960,485		10,492	1,399,939	9,596,588	96,422,267
2006	28,366,526	54,270,346		9,526	1,315,038	8,936,502	92,897,938
2005	26,727,618	53,781,209		12,445	1,159,742	9,169,791	90,850,805
2004	24,546,532	51,869,477		9,263	1,144,747	9,037,781	86,607,800
2003	22,780,085	48,657,268		10,876	1,199,507	8,831,712	81,479,448
2002	23,353,414	45,393,491		8,403	1,163,468	9,097,442	79,016,218
2001	20,284,364	44,486,127		8,497	1,107,183	5,889,097	71,775,268
2000	19,487,198	43,608,313		8,522	1,043,287	5,651,371	69,798,691
1999	20,741,154	41,642,771		17,516	1,080,495	5,721,321	69,203,257
1998	18,953,860	37,479,413	889,226	8,647	944,612	4,743,649	63,019,407

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

Tax Year	Real Estate	All Other	Total
2007	\$ 14,638,856,501	703,307,287	15,342,163,788
2006	12,897,825,080	685,425,215	13,583,250,295
2005	12,421,799,720	716,716,506	13,138,516,226
2004	12,001,190,379	742,915,013	12,744,105,392
2003	10,350,628,778	779,959,389	11,130,588,167
2002	9,903,888,713	820,797,124	10,724,685,837
2001	8,814,516,041	806,431,814	9,620,947,855
2000	8,423,860,600	716,780,457	9,140,641,057
1999	7,859,292,010	660,609,204	8,519,901,214
1998	6,865,419,369	637,669,384	7,503,088,753

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

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

	Tax Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
City of Lincoln	0.2833	0.3009	0.2950	0.2903	0.3145	0.3145	0.3239	0.3239	0.3239	0.3581
School District No. 1	1.2764	1.3142	1.3141	1.3011	1.2830	1.2732	1.3684	1.3813	1.3050	1.6308
Lancaster County	0.2655	0.2841	0.2797	0.2683	0.2683	0.2583	0.2643	0.2584	0.2782	0.2966
Educational Service Unit #18	0.0141	0.0150	0.0150	0.0150	0.0150	0.0150	0.0150	0.0150	0.0149	0.0089
Community Technical College	0.0689	0.0696	0.0655	0.0655	0.0655	0.0636	0.0295	0.0334	0.0696	0.0782
Lower Platte South Natural Res. Dist.	0.0416	0.0422	0.0323	0.0323	0.0359	0.0365	0.0367	0.0372	0.0389	0.0365
Railroad Transportation Safety Dist.	0.0246	0.0260	0.0260	0.0248	0.0220	0.0221	0.0260	0.0260	0.0260	0.0260
Agricultural Society of Lancaster County	0.0016	0.0018	0.0020	0.0030	0.0012	0.0024	0.0073	0.0032	0.0013	0.0364
Lancaster County Fairgrounds	0.0037	0.0042	0.0042	0.0043	0.0050	0.0052	0.0000	0.0000	0.0000	0.0000
Public Building Commission	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170
	<u>1.9967</u>	<u>2.0750</u>	<u>2.0508</u>	<u>2.0216</u>	<u>2.0274</u>	<u>2.0078</u>	<u>2.0881</u>	<u>2.0954</u>	<u>2.0748</u>	<u>2.4885</u>

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

## DEBT MANAGEMENT

### OUTSTANDING INDEBTEDNESS AS OF AUGUST 31, 2007

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

Original Amount	Issued	Issue	Interest Rate	When Due	Date Callable	Interest Date	Outstanding
<b>Governmental Activities:</b>							
<b>General Obligation Bonds:</b>							
<b>General Bonds:</b>							
14,435	03/01/99	Various Purpose Series A	3.000 - 4.600	Serial 2000 to 2014	2009	Semiannually	\$ 7,840
7,365	03/01/99	Various Purpose Series A	4.750	Term 2019	2009	"	7,365
8,220	03/01/99	Various Purpose Series B	3.000 - 4.250	Serial 1999 to 2011	2007	"	2,465
6,350	05/29/02	Storm Sewer and Drainage	3.000 - 5.000	Serial 2004 to 2020	2010	"	5,535
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	"	9,680
3,710	07/08/03	Various Purpose	4.000 / 4.125	Term 2020 & 2023	2013	"	3,710
6,555	06/01/05	Storm Sewer Refunding	2.500 - 4.375	Serial 2005 to 2017	2011	"	5,755
9,950	06/15/05	Storm Sewer Construction	3.250 - 4.250	Serial 2006 to 2025	2015	"	9,225
8,295	06/27/07	Stormwater Drainage and Flood Mgmt	4.625 - 5.000	Serial 2008 to 2027	2017	"	8,295
<b>Total General Bonds</b>							<b>\$ 61,020</b>
<b>Tax Allocation Bonds:</b>							
1,035	04/21/04	Tax Allocation Bonds	2.000 - 3.200	Serial 2004 to 2011	2008	Semiannually	670
5,500	04/21/04	Tax Allocation Bonds	3.000 - 4.800	Serial 2004 to 2015	2010	"	4,530
365	08/15/05	Tax Allocation Bonds	4.750	Serial 2006 to 2018	Anytime	"	320
245	10/01/06	Tax Allocation Bonds	5.100	Serial 2008 to 2015	Anytime	"	245
2,205	04/05/07	Tax Allocation Bonds	5.000 - 5.550	Serial 2009 to 2018	2012	"	2,205
586	06/01/07	Tax Allocation Bonds	5.240	Serial 2008 to 2018	Anytime	"	586
388	06/01/07	Tax Allocation Bonds	5.240	Serial 2007 to 2020	Anytime	"	388
369	06/15/07	Tax Allocation Bonds	5.400	Serial 2007 to 2014	Anytime	"	369
<b>Total Tax Allocation Bonds</b>							<b>\$ 9,313</b>
<b>Tax Supported Bonds:</b>							
3,200	06/13/00	Municipal Infrastructure Redevelopment	4.750 - 5.100	Serial 2001 to 2009	2005	Semiannually	\$ 1,080
35,000	03/17/04	Highway Allocation Fund	2.000 - 5.000	Serial 2007 to 2023	2014	"	35,000
27,000	12/05/06	Highway Allocation Fund	4.000 - 5.000	Serial 2008 to 2027	2016	"	27,000
<b>Total Tax-Supported Bonds</b>							<b>\$ 63,080</b>
<b>TOTAL GENERAL OBLIGATION BONDS</b>							<b>\$ 133,413</b>
<b>Tax Supported Bonds:</b>							
11,080	3/13/02	Antelope Valley Project	1.500 - 5.000	Serial 2002 to 2016	2012	Semiannually	\$ 8,515
<b>Business-Type Activities:</b>							
<b>Revenue Bonds:</b>							
39,235	07/31/03	Wastewater Revenue	2.000 - 5.000	Serial 2004 to 2023	2013	Semiannually	\$ 32,920
15,765	07/31/03	Wastewater Revenue	4.625 / 5.000	Term 2025 & 2028	2013	"	15,765
18,000	08/03/05	Wastewater Revenue	4.000 - 5.000	Serial 2006 to 2030	2015	"	16,995
16,710	04/18/07	Wastewater Revenue	4.000 - 4.500	Serial 2008 to 2029	2017	"	16,710
3,750	04/18/07	Wastewater Revenue	4.375	Term 2032	2017	"	3,750
<b>Total Wastewater Bonds</b>							<b>\$ 86,140</b>
11,850	11/22/02	Water Revenue	2.750 - 5.000	Serial 2005 to 2017	2012	Semiannually	\$ 9,580
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	-	"	18,795
40,000	11/16/04	Water Revenue	3.000 - 5.000	Serial 2005 to 2025	2014	"	37,175
<b>Total Water Bonds</b>							<b>\$ 72,210</b>
6,815	09/08/99	Parking Revenue Series A	4.000 - 5.000	Serial 2000 to 2009	2009	Semiannually	\$ 2,170
6,695	09/08/99	Parking Revenue Series A	5.375	Term 2014	2009	"	6,695
4,360	12/18/01	Parking Revenue	3.750 - 5.000	Serial 2002 to 2017	2011	"	2,970
1,640	12/18/01	Parking Revenue	5.125	Term 2021	2011	"	1,640
<b>Total Parking Bonds</b>							<b>\$ 13,475</b>
3,165	11/27/01	Golf Course Revenue Refunding	2.300 - 4.050	Serial 2002 to 2011	2008	Semiannually	\$ 1,375
4,000	08/17/06	Solid Waste Management Revenue	4.000 - 4.250	Serial 2007 to 2021	2013	Semiannually	\$ 3,815
45,560	02/15/98	Electric Revenue Bonds Series A	4.500 - 5.000	Serial 2098 to 2018	2008	Semiannually	\$ 31,075
141,150	08/15/01	Electric Revenue Bonds	4.000 - 5.250	Serial 2006 to 2020	2011	"	140,150
148,190	10/01/02	Electric Revenue Bonds	4.000 - 5.000	Serial 2004 to 2025	2012	"	122,945
93,045	10/01/03	Electric Revenue Bonds	3.000 - 5.000	Serial 2004 to 2026	2014	"	90,195
33,265	10/01/03	Electric Revenue 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
<b>Total Electric Bonds</b>							<b>\$ 532,630</b>
<b>TOTAL REVENUE BONDS</b>							<b>\$ 709,645</b>

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

Fiscal Year Ended August 31	Governmental Activities					
	General Obligation Bonds		Tax-Supported Bonds		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 6,210	5,611	615	372	1,718	883
2009	7,376	5,401	635	350	1,749	842
2010	6,740	5,120	660	326	1,723	784
2011	7,223	4,851	685	299	1,727	725
2012	7,883	4,543	710	271	1,797	663
2013 - 2017	40,918	17,476	5,210	773	8,357	2,276
2018 - 2022	36,018	8,743	-	-	3,206	1,043
2023 - 2027	21,045	2,008	-	-	2,515	368
	<u>\$ 133,413</u>	<u>53,753</u>	<u>8,515</u>	<u>2,391</u>	<u>22,792</u>	<u>7,584</u>

Fiscal Year Ended August 31	Business-Type Activities			
	Revenue Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2008	\$ 24,220	34,490	444	33
2009	25,390	33,294	140	20
2010	26,510	32,150	146	13
2011	29,275	30,910	127	7
2012	27,365	29,572	65	1
2013 - 2017	148,385	127,774	-	-
2018 - 2022	163,860	87,112	-	-
2023 - 2027	103,690	54,016	-	-
2028 - 2032	90,880	29,569	-	-
2033 - 2037	70,070	8,548	-	-
	<u>\$ 709,645</u>	<u>467,435</u>	<u>922</u>	<u>74</u>

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

Net assets of \$4,766,048, \$3,883,753, and \$5,327,078 are currently available in the debt service funds to service the General Obligation Bonds, Tax Supported Bonds, and Tax Allocation Bonds, respectively. Revenue Bonds are funded partially from reserve accounts set up for debt repayment and partially from proceeds of daily operations.

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

	Governmental Activities	Business-Type Activities
Land	\$ 515,750	\$ 210,000
Buildings	11,914,750	-
Improvements	219,925	-
Infrastructure	6,972,510	-
Machinery and Equipment	1,838,042	3,113,553
Less Accumulated Depreciation, (where applicable)	<u>(1,907,191)</u>	<u>(1,743,574)</u>
Total	<u>\$ 19,553,786</u>	<u>\$ 1,579,979</u>

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

Established by City Ordinance, LES may borrow up to \$150 million under a commercial paper note program. At December 31, 2006, 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, 2006, was 3.4 percent. The annual requirement to pay interest on this outstanding debt is approximately \$3.0 million. The outstanding commercial paper notes are secured by a revolving credit agreement which provides for borrowings up to \$150 million. LES pays a commitment fee for the credit agreement. Under the terms of the agreement LES can either settle or refinance the commercial paper upon maturity.

The general obligation debt of all local governmental units which provide services within the City's boundaries and which debt must be borne by properties in the City (commonly called overlapping debt) as of August 31, 2007, is summarized below (unaudited):

<u>Governmental Units</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>1</sup></u>	<u>Direct And Overlapping Debt To The City</u>
<b>Direct:</b>			
City	\$ 133,413,000	100.0 %	\$ 133,413,000
<b>Overlapping:</b>			
School District #1	268,540,000	99.5	267,197,000
Lower Platte South N.R.D.	8,250,000	75.4	6,221,000
Lancaster County	6,850,000	85.4	5,850,000
Public Building Commission	48,660,000	85.4	41,556,000
Lancaster County Fairgrounds	2,275,000	85.4	1,943,000
	<u>334,575,000</u>		<u>322,767,000</u>
<b>Total</b>	<b>\$ <u>467,988,000</u></b>		<b>\$ <u>456,180,000</u></b>

The City has no direct liability for the School District, Lower Platte South N.R.D., Lancaster County, Public Building Commission or Lancaster County Fairgrounds debt summarized above. This results in a per capita direct City debt of \$553.20; a per capita direct and overlapping debt of \$1,891.55; a ratio of direct City debt to 2007 actual valuation of .87 percent; and a ratio of direct and overlapping debt to 2007 actual valuation of 2.97 percent.

**Debt Payment Record**

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

**Contingencies**

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

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

Fiscal Year	Principal	Interest <sup>3</sup>	Total Debt Service	Total General Governmental Expenditures <sup>1,2,4</sup>	Ratio Of Debt Service To Total General Expenditures
2007	\$ 5,617,536	\$ 4,986,687	\$ 10,604,223	\$ 192,566,160	5.51 %
2006	5,770,794	4,670,734	10,441,528	190,705,202	5.48
2005	5,421,699	4,860,926	10,282,625	182,804,746	5.62
2004	4,934,224	2,893,437	7,827,661	173,813,094	4.50
2003	5,435,370	2,986,634	8,422,004	162,713,261	5.18
2002	4,921,172	2,421,303	7,342,475	157,069,075	4.67
2001	4,966,405	2,753,247	7,719,652	134,089,961	5.76
2000	5,125,296	2,772,021	7,897,317	123,673,645	6.39
1999	4,209,267	2,301,745	6,511,012	117,214,754	5.55
1998	4,927,317	2,329,696	7,257,013	126,055,615	5.76

- <sup>1</sup> Includes: General, Special Revenue, and Debt Service Funds
- <sup>2</sup> Community Health Permanent Endowment Fund added as a Governmental Fund in 1999.
- <sup>3</sup> Does not include fiscal and miscellaneous charges.
- <sup>4</sup> StarTran added as a Governmental Fund in 2002.

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

Fiscal Year	General Obligation Bonded Debt	Sinking Funds	Net General Obligation Bonded Debt	Population <sup>1</sup>	Net G.O. Bonded Debt Per Capita	Assessed Valuation Real And Personal <sup>2</sup>	Ratio Of Net Debt To Assessed Valuation Real & Personal	Assessed Valuation Of Taxable Real Property <sup>2</sup>	Ratio Of Net Debt To Estimated Valuation Of Taxable Real Property
2007	133,413,000	\$ 11,574,000	\$ 121,839,000	241,167	\$ 505.21	\$ 15,342,163,788	0.79 %	\$ 14,638,856,501	0.83 %
2006	99,347,000	9,733,000	89,614,000	239,213	374.62	13,583,250,295	0.66	12,897,825,080	0.69
2005	104,538,000	13,364,000	91,174,000	238,625	382.08	13,138,516,226	0.69	12,421,799,720	0.73
2004	98,915,000	20,509,000	78,406,000	236,146	332.02	12,744,105,392	0.62	12,001,190,379	0.65
2003	61,759,000	17,083,000	44,676,000	235,565	189.65	11,130,588,167	0.40	10,350,628,778	0.43
2002	56,997,000	15,847,000	41,150,000	231,800	177.52	10,724,685,837	0.38	9,903,888,713	0.42
2001	54,418,000	11,243,000	43,175,000	225,588	191.39	9,620,947,855	0.45	8,814,516,041	0.49
2000	58,814,000	9,739,000	49,075,000	218,497	224.60	9,140,641,057	0.54	8,423,860,600	0.58
1999	60,508,000	12,182,000	48,326,000	217,537	222.15	8,519,901,214	0.57	7,859,292,010	0.61
1998	40,492,000	17,707,000	22,785,000	215,000	105.98	7,503,088,753	0.30	6,865,419,369	0.33

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

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

**REVENUE BOND COVERAGE  
LAST TEN FISCAL YEAR**

	Gross Revenue	Direct Operating Expenses	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
<b>Wastewater System</b>							
2007	\$ 20,799,926	11,462,964	9,336,962	2,005,000	3,081,481	5,086,481	1.84
2006	19,305,465	11,125,819	8,179,646	2,065,000	3,043,500	5,108,500	1.60
2005	18,526,816	10,482,955	8,043,861	1,500,000	2,403,519	3,903,519	2.06
2004	19,071,798	10,042,919	9,028,879	1,750,000	2,133,704	3,883,704	2.32
2003	15,785,843	9,086,469	6,699,374	1,032,500	266,722	1,299,222	5.16
2002	15,731,749	8,632,287	7,099,462	992,500	316,847	1,309,347	5.42
2001	16,663,975	8,087,688	8,576,287	952,500	364,972	1,317,472	6.51
2000	16,741,692	7,707,242	9,034,450	912,500	411,097	1,323,597	6.83
1999	16,286,632	7,591,990	8,694,642	1,255,000	474,743	1,729,743	5.03
1998	15,873,036	7,512,753	8,360,283	1,217,500	554,216	1,771,716	4.72
<b>Water System</b>							
2007	\$ 27,836,690	14,351,136	13,485,554	5,340,000	3,612,001	8,952,001	1.51
2006	27,297,378	13,808,214	13,489,164	5,130,000	3,834,301	8,964,301	1.50
2005	25,600,740	13,145,665	12,455,075	4,895,000	3,517,932	8,412,932	1.48
2004	22,940,862	12,477,486	10,463,376	3,115,000	2,411,632	5,526,632	1.89
2003	21,533,965	11,631,496	9,902,469	3,010,000	2,898,489	5,908,489	1.68
2002	22,687,789	11,474,433	11,213,356	2,880,000	2,110,590	4,990,590	2.25
2001	22,287,139	10,960,315	11,326,824	2,755,000	2,240,075	4,995,075	2.27
2000	23,823,957	9,812,147	14,011,810	2,640,000	2,361,515	5,001,515	2.80
1999	20,787,797	9,067,262	11,720,535	2,530,000	2,514,373	5,044,373	2.32
1998	21,009,615	8,894,295	12,115,320	2,435,000	2,621,365	5,056,365	2.40
<b>Parking Facilities</b> <sup>1, 2</sup>							
2007	\$ 6,645,013	2,781,952	3,863,061	1,240,000	746,374	1,986,374	1.94
2006	6,785,593	2,775,122	4,010,471	1,185,000	799,931	1,984,931	2.02
2005	6,219,935	2,972,709	3,247,226	1,140,000	850,501	1,990,501	1.63
2004	6,299,598	2,733,492	3,566,106	1,145,000	908,456	2,053,456	1.74
2003	5,988,240	2,304,632	3,683,608	1,085,000	962,829	2,047,829	1.80
2002	5,483,546	1,964,389	3,519,157	1,115,000	924,470	2,039,470	1.73
2001	5,172,264	2,127,350	3,044,914	795,000	787,419	1,582,419	1.92
2000	4,853,708	1,393,637	3,460,071	455,000	761,521	1,216,521	2.84
1999	4,209,988	2,329,165	1,880,823	585,000	640,712	1,225,712	1.53
1998	4,068,991	1,340,709	2,728,282	455,000	651,694	1,106,694	2.47
<b>Golf</b>							
2007	\$ 2,926,985	2,463,827	463,158	315,000	65,060	380,060	1.22
2006	2,993,961	2,467,141	526,820	305,000	74,973	379,973	1.39
2005	3,135,875	2,568,462	567,413	295,000	83,823	378,823	1.50
2004	2,899,670	2,467,141	432,529	290,000	91,653	381,653	1.13
2003	2,648,552	2,408,947	239,605	280,000	98,513	378,513	0.63
2002	2,673,078	2,141,707	531,371	305,000	75,628	380,628	1.40
2001	2,626,592	2,140,853	485,739	230,000	239,088	469,088	1.04
2000	2,934,568	1,952,906	981,662	215,000	252,310	467,310	2.10
1999	2,527,564	1,656,746	870,818	200,000	264,310	464,310	1.88
1998	2,337,800	1,493,277	844,523	190,000	275,520	465,520	1.81
<b>Solid Waste Management</b>							
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. 2007	F.Y. 2006	F.Y. 2005	F.Y. 2004	F.Y. 2003	F.Y. 2002	F.Y. 2001	F.Y. 2000	F.Y. 1999	F.Y. 1998
Cash & Investment Balance - September 1 of Year Indicated	13,475,643	18,948,253	23,521,130	26,784,845	26,589,993	24,802,768	26,814,745	25,069,133	22,742,585	26,542,206
Receipts:										
Property Tax	31,454,763	28,366,526	26,727,618	24,546,532	22,780,085	23,353,414	20,284,364	19,487,198	20,741,154	18,953,860
City Sales & Use Tax	53,960,485	54,270,346	53,781,209	51,869,477	48,657,268	45,393,492	44,486,127	43,608,313	41,642,771	37,479,413
Other Income	27,663,641	25,390,112	25,620,145	23,615,320	24,933,838	26,342,414	21,786,016	21,339,093	19,991,222	19,373,404
Total Receipts	113,078,889	108,026,984	106,128,972	100,031,329	96,371,191	95,089,320	86,556,507	84,434,604	82,375,147	75,806,677
Less Disbursements	111,922,258	113,499,594	110,701,849	103,295,044	96,176,339	93,302,095	88,568,484	82,688,992	80,048,599	79,606,298
Cash & Investment Balance - August 31 of Year Indicated	<u>14,632,274</u>	<u>13,475,643</u>	<u>18,948,253</u>	<u>23,521,130</u>	<u>26,784,845</u>	<u>26,589,993</u>	<u>24,802,768</u>	<u>26,814,745</u>	<u>25,069,133</u>	<u>22,742,585</u>



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

	<u>F.Y. 2007</u>	<u>F.Y. 2006</u>	<u>F.Y. 2005</u>	<u>F.Y. 2004</u>	<u>F.Y. 2003</u>	<u>F.Y. 2002</u>	<u>F.Y. 2001</u>	<u>F.Y. 2000</u>	<u>F.Y. 1999</u>	<u>F.Y. 1998</u>
Cash Balance - September 1 of Year Indicated	2,761,491	3,364,608	3,570,557	2,935,997	3,440,537	3,099,198	3,313,405	3,536,402	3,682,098	4,000,777
Receipts:										
Property Tax	5,460,690	2,973,410	5,607,615	5,387,468	5,883,592	6,340,938	5,814,489	5,843,384	4,475,066	4,461,628
Interest Income	84,935	86,812	83,286	48,595	32,298	53,873	107,693	174,146	145,534	236,658
Bond Proceeds			6,597,635		9,436,083				189,482	
Other Income	<u>1,927,112</u>	<u>2,935,603</u>	<u>149,038</u>	<u>691,340</u>	<u>240,110</u>	<u>232,009</u>	<u>235,736</u>	<u>247,591</u>	<u>54,475</u>	<u>116,996</u>
Total Receipts	<u>7,472,737</u>	<u>5,995,825</u>	<u>12,437,574</u>	<u>6,127,403</u>	<u>15,592,083</u>	<u>6,626,820</u>	<u>6,157,918</u>	<u>6,265,121</u>	<u>4,864,557</u>	<u>4,815,282</u>
Disbursements:										
Bonds Paid	3,950,000	4,250,000	3,850,000	3,215,000	4,177,765	4,137,254	4,052,948	3,973,769	2,725,042	3,304,097
Bonds Defeased					9,609,774					
Interest Paid	2,217,610	2,342,582	2,197,207	2,271,548	2,309,084	2,144,322	2,308,922	2,500,471	1,955,821	1,817,400
Transfer to Trustee			6,504,876						164,400	
Other Disbursements	<u>9,530</u>	<u>6,360</u>	<u>91,440</u>	<u>6,295</u>		<u>3,905</u>	<u>10,255</u>	<u>13,878</u>	<u>164,990</u>	<u>12,464</u>
Total Disbursements	<u>6,177,140</u>	<u>6,598,942</u>	<u>12,643,523</u>	<u>5,492,843</u>	<u>16,096,623</u>	<u>6,285,481</u>	<u>6,372,125</u>	<u>6,488,118</u>	<u>5,010,253</u>	<u>5,133,961</u>
Equity Transfer										
Cash Balance - August 31 of Year Indicated	<u>4,057,088</u>	<u>2,761,491</u>	<u>3,364,608</u>	<u>3,570,557</u>	<u>2,935,997</u>	<u>3,440,537</u>	<u>3,099,198</u>	<u>3,313,405</u>	<u>3,536,402</u>	<u>3,682,098</u>

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

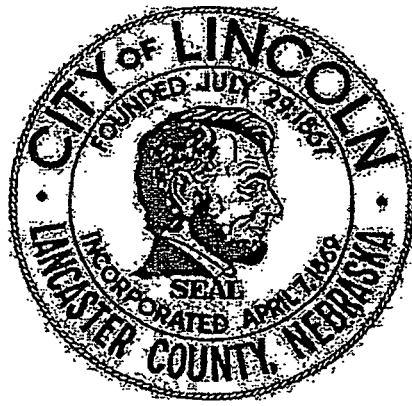
	<u>F.Y. 2007</u>	<u>F.Y. 2006</u>	<u>F.Y. 2005</u>	<u>F.Y. 2004</u>	<u>F.Y. 2003</u>	<u>F.Y. 2002</u>	<u>F.Y. 2001</u>	<u>F.Y. 2000</u>	<u>F.Y. 1999</u>	<u>F.Y. 1998</u>
Cash & Investment Balance - September 1 of Year Indicated	8,846,000	7,583,251	7,830,502	6,910,967	6,586,633	3,778,207	4,964,458	5,003,362	5,357,118	5,150,392
Receipts:										
Special Assessment Collections	1,257,112	1,476,284	1,208,686	1,654,695	1,271,575	1,360,347	1,529,352	1,638,233	1,992,503	1,818,743
Interest on Special Assessments	188,349	189,927	204,108	267,298	346,725	294,839	257,157	310,558	367,309	285,279
City's Share of Costs	187,957	723,038	578,992	116,009	97,107	2,145,574	2,516,175	895,961	2,038,202	
Developers' Share of Costs						4,617	473,445		75,572	685,754
Bond Proceeds										
Interest on Investments	340,274	254,809	217,996	140,289	130,555	137,143	219,536	286,460	241,768	341,581
Miscellaneous	49,403	74,657	30,687	288,482	195,535	474,438	144,005	993,245	244,724	
Total Receipts	<u>2,023,095</u>	<u>2,718,715</u>	<u>2,240,469</u>	<u>2,466,773</u>	<u>2,041,497</u>	<u>4,416,958</u>	<u>5,139,670</u>	<u>4,124,457</u>	<u>4,960,078</u>	<u>3,131,357</u>
Disbursements:										
Construction Costs	766,768	1,066,513	1,796,239	1,399,323	1,560,456	1,090,434	3,646,025	2,338,999	2,333,433	1,637,987
Bonds Paid	55,000		100,000	105,000	105,000	110,000	270,000	770,000	785,000	1,105,000
SID Warrants										
Interest Paid on Bonds & Notes	37,581		3,425	10,420	17,534	24,762	39,438	67,293	110,155	167,055
Other Refunds & Expenses	18,693	389,453	588,056	32,495	34,173	383,336	2,370,458	987,069	2,085,246	14,589
Total Disbursements	<u>878,042</u>	<u>1,455,966</u>	<u>2,487,720</u>	<u>1,547,238</u>	<u>1,717,163</u>	<u>1,608,532</u>	<u>6,325,921</u>	<u>4,163,361</u>	<u>5,313,834</u>	<u>2,924,631</u>
Cash & Investment Balance - August 31 of Year Indicated	<u>9,991,053</u>	<u>8,846,000</u>	<u>7,583,251</u>	<u>7,830,502</u>	<u>6,910,967</u>	<u>6,586,633</u>	<u>3,778,207</u>	<u>4,964,458</u>	<u>5,003,362</u>	<u>5,357,118</u>

**APPENDIX D**

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

**INTRODUCTORY SECTION**

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**CITY OF LINCOLN**  
**NEBRASKA**

**MAYOR CHRIS BEUTLER**  
lincoln.ne.gov

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

February 1, 2008

Dear Citizens and Public Officials:

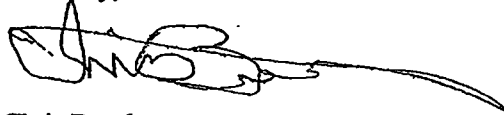
It is my pleasure to submit the City of Lincoln's Comprehensive Annual Financial Report for the fiscal year ended August 31, 2007.

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

Our ability to manage the City's fiscal affairs and provide a full disclosure of the City's fiscal condition is exhibited by the unqualified audit opinion that follows. I am proud to report that the 2006 report submitted to the Government Finance Officers Association was recognized with the prestigious Certificate of Achievement for Excellence in Financial Reporting for the twenty-fourth 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

February 01, 2008

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, 2007, is hereby submitted.

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

As a recipient of federal, state and local financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. The federal government, under the revised OMB Circular A-133, requires local governments that expend \$500,000 or more in federal funds in any fiscal year to have a financial and compliance audit performed. As part of the City's Single Audit, tests were made of the City's internal control structure over compliance and its compliance with applicable laws and regulations, including those related to major federal financial assistance programs. The Single Audit for the year ended August 31, 2007, 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 results of operations 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, 2007, are fairly presented in conformity with GAAP.



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

### Profile of the City

The City of Lincoln, capital city of Nebraska, was originally incorporated on April 7, 1869. Lincoln is located in the southeastern corner of the state, is midway between Chicago and Denver, and is currently one of the fastest growing metro areas in the Midwest. It occupies a land area of approximately 80 square miles, serves a population of over 241,000, and in its growth and development has annexed five other municipalities so that the City includes most of the urban area of Lancaster County. It enjoys a unique position in Nebraska as the center of the state's governmental and educational activities.

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

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

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

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

### Economic Condition And Outlook

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

The Lincoln metropolitan area population base (Lancaster County) continues to demonstrate a pattern of sustained growth. According to the U. S. Census figures, the Lincoln metropolitan area population grew over 17% between 1990 and 2000, adding over 3,350 people to the community each year. The 1990

population of 213,641 reached 250,291 persons with the 2000 census, setting the County's annualized rate of population growth for the 1990's at 1.6 percent.

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

Lincoln's unemployment rate at August 31, 2007 was 2.7%, well below the national average of 4.6%, with employment strongest in the categories of government, educational & health services, and retail trade. Lincoln's current number of construction permits is down 14% when compared to levels 5 years ago, with a corresponding decrease in the value of construction permits of over \$11 million.

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

Net sales and use tax revenue increased \$14,826 or .027% from the previous fiscal year. This primary revenue source has been impacted by negative economic factors that have affected the local and national economies. A slight narrowing of the sales tax base by the State legislature also contributed to the slow growth in tax collections.

### Long-Term Planning And Major Initiatives

#### Urban Development

The City anticipates approximately \$10 million of public expenditures funded through various urban development projects and programs over the next three years. These projects are varied in type and size and are located in the Downtown and Haymarket areas, North 27<sup>th</sup> Street area, Havelock and University Place business areas, Focus Area neighborhoods, the Antelope Valley project area, West O Street, North 56<sup>th</sup> and Arbor Road, West Cornhusker Highway, and in low-moderate income areas throughout the City.

Financing will be provided by a variety of sources, including Tax Increment Financing (TIF), CDBG, HOME, Economic Development Initiative and Nebraska Affordable Housing Trust Fund 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) Implementation of the Catalyst One project.
  - 2) Redevelopment of former Douglas III theater site.
  - 3) Redevelopment of the West Haymarket project area.
- ◆ North 27<sup>th</sup> Street redevelopment will consist of the pedestrian trail bridge at X Street.
- ◆ Implementation of selected Antelope Valley Redevelopment Plan catalyst projects.
- ◆ Havelock Redevelopment on-going projects include streetscape improvements, park improvements and public parking lot improvements.
- ◆ University Place will see the redevelopment of the former Green's Plumbing site.
- ◆ West O Street redevelopment projects.
- ◆ North 56<sup>th</sup> and Arbor Road redevelopment.

- ◇ NW Corridor redevelopment (West Cornhusker Highway).
- ◇ Housing rehabilitation and development programs:
  - 1) Continuation of First-time Homebuyer, Housing Development, and Owner-Occupied housing rehabilitation loan programs.
  - 2) Partner with NeighborWorks-Lincoln for their Home Ownership Zone in Antelope Valley and other initiatives in low-to-moderate income neighborhoods.
  - 3) Complete the final phase of the affordable housing project, Old Mill Village, with Nebraska Housing Resource and plan the development of the next affordable housing project.
  - 4) Sustain the existing affordable rental housing stock by assisting on-going non-profit housing organizations.
  - 5) Resolve the disposition of expiring tax credit rental housing projects.
- ◇ Housing Rehabilitation and Real Estate Division projects also include:
  - 1) Planning and negotiation for acquisition of park sites city-wide.
  - 2) Major acquisition and negotiation projects –
 

<ul style="list-style-type: none"> <li>✓ Antelope Valley storm water management and transportation projects.</li> <li>✓ Antelope Valley redevelopment plan catalyst projects.</li> <li>✓ West Haymarket area redevelopment.</li> <li>✓ Upper Beal Sough relief trunk sewer.</li> <li>✓ Mopac Trail bridge.</li> <li>✓ Arbor Road water main, 56<sup>th</sup> to 70<sup>th</sup>.</li> <li>✓ Stevens Creek sanitary sewer.</li> <li>✓ Special assessment, executive order, and arterial rehab projects.</li> <li>✓ 56<sup>th</sup> &amp; Elkcrest safety project.</li> <li>✓ Harris Overpass.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Pine Lake Road, 84<sup>th</sup> to 98<sup>th</sup> Street.</li> <li>✓ Lincoln Water System Greenwood transmission main.</li> <li>✓ 98<sup>th</sup> Street, Yankee Hill Road to Old Cheney.</li> <li>✓ Alvo Road, NW 20<sup>th</sup> to 1<sup>st</sup> Street.</li> <li>✓ NW 56<sup>th</sup>, Adams to Partridge.</li> <li>✓ West Adams, NW 63<sup>rd</sup> to 48<sup>th</sup> Street.</li> <li>✓ East Adams widening and water main, 75<sup>th</sup> to 94<sup>th</sup> Street.</li> <li>✓ Miscellaneous projects in Public Works &amp; Utilities 6-year CIP program.</li> </ul>
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  - 3) Acquisition and disposition of surplus properties including tax sale lots, street and alley vacation, surplus park sites, surplus right-of-way, and other miscellaneous properties.
  - 4) Relocation projects including Antelope Valley storm management, transportation, and redevelopment plan catalyst projects and West Haymarket Area redevelopment.
- ◇ Neighborhood Revitalization Focus Area project is located in the Hartley neighborhood.
- ◇ The Workforce Investment Act (WIA) is federal legislation which took effect on July 1, 2000. Under this legislation, the Mayor of Lincoln is the designated Chief Elected Official working in conjunction with a 47 member Workforce Investment Board. This Board is constituted by law with a business majority. Other members represent community based organizations, education, economic development, organized labor, and program partner agencies. The Board and the Mayor developed a local Plan to implement WIA that was approved by the State of Nebraska. This Plan serves as the funding document for receipt of Federal WIA funds, which totaled approximately \$1 million in 2007.

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

WIA funds will continue to be used to improve the employment skills of low-income adults and youth, and to assist individuals laid off from area employers (such as Quebecor and Windstream) to re-enter the labor force. WIA funds will be used to assist these individuals to improve basic skills, complete secondary and post-secondary education, gain work experience, and to obtain and retain employment.

A direct mailing to 28,000+ households in the Area of Substantial Unemployment in the city will be made informing them about the services available from the One Stop Career Center. WIA Youth Program will participate in a job fair for disadvantaged youth in partnership with Iota Phi Theta Fraternity, UN-L Chapter. The One Stop will continue to assist employers (such as Verizon, Farmland, ASI, and Scott Project) with on-site recruiting.

### West Haymarket Project

The West Haymarket Redevelopment Project encompasses an area of approximately 150 acres on the western edge of Downtown Lincoln. The project's program statement generally calls for the construction of a 15,000 seat civic arena, a 350-room hotel, and a 120,000 square foot convention center. The project may also include office space, retail businesses, surface and decked parking, and residential units. Supporting infrastructure in the form of roads, bridge crossings, pedestrian walkways, trails, and public open spaces are also planned. The overall project cost is projected to be in the range of \$350 – \$400 million with funding coming from both private and public sources. Private funding will be in the form of developer capital and community donations. Public revenues will be drawn from a wide variety of sources including tax increment financing, arena generated funds, lodging fees, occupation taxes, and other miscellaneous fees.

### Antelope Valley Project

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

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

Projects completed include Fleming Field; Military, Y Street, and Vine Street Bridges and Roadways; the BNSF overpass near Devaney Center; channel work between Salt Creek and Y Street; the BNSF railroad bridge project over Antelope Creek; landscaping work on the Military, Y Street, Vine Street roadway projects and on the BNSF overpass project; and the P and Q Street Bridges and Roadways.

The Corps of Engineers also completed most of the channel work between Y Street and Vine Street in 2007.

Work on the East Leg Bridge and Roadway project, which is a BNSF railroad overpass on the east-west roadway along the south side of State Fair Park, and the O Street Bridge and Roadway started in the fall of 2007.

The entire project is projected to cost \$238 million. By the end of 2008, it is expected that nearly 85% of the cost of the Antelope Valley project will have been spent or be under contract.

### Wastewater System

The Lincoln Wastewater System is projecting a capital improvements program in the amount of approximately \$85,814,000 over the 6-year period of fiscal year 2007-08 through fiscal year 2012-13. Of that total, approximately \$75,019,000 will be financed by revenue bonds, approximately \$3,745,000 will be financed by impact fees, \$3,220,000 from TIF funding, approximately \$887,000 will come from developer contributions, with the remaining \$2,943,000 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 \$106,865,000 over the 6-year period of fiscal year 2007-08 through 2012-13. Of these dollars, approximately \$56,367,000 will be financed through revenue bonds, approximately \$2,800,000 will be financed from TIF funding, approximately \$7,560,000 will be financed through impact fees, with the balance of \$40,138,000 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 2008-2013 Streets and Highways capital improvements program and Transportation improvement program identify average annual expenditures of over \$34.6 million for the next six years. Funding for these projects includes \$123 million in City revenues, \$49 million in federal aid, and \$36 million in other funds.

### Infrastructure Impact Fees

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

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

### Property Tax Collections

As of August 31, 2007, current tax collections by the County Treasurer were 96.26% of the tax levy, a decrease of .57% from last year. Allocations of property tax levy by purpose are as follows:

<u>City Tax Levy By Purpose</u>	<u>2006-2007</u>	<u>2005-2006</u>	<u>2004-2005</u>
General Fund	.1687	.1955	.1706
Library	.0427	.0488	.0490
Social Security	.0135	.0139	.0149
Police and Fire Pension	.0208	.0219	.0182
General Obligation Debt	<u>.0376</u>	<u>.0208</u>	<u>.0423</u>
	<u>.2833</u>	<u>.3009</u>	<u>.2950</u>

### Parking Facilities

The City of Lincoln operates the following parking garages:

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

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

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

	<u>2006-2007</u>	<u>2005-2006</u>
Operating Revenue	\$ 6,264,527	6,532,352
Operating Income Before Depreciation	3,482,575	3,757,230
Debt Service	1,998,056	1,998,056
Debt Service Coverage Ratio	1.74	1.88

### 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, 2007, the City estimates that it will incur costs approximating \$16 million to adhere to such requirements (see Note 17 of Notes to the Financial Statements).

### Water And Wastewater System

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

<u>Wastewater System</u>	<u>2006-2007</u>	<u>2005-2006</u>
Operating Revenue	\$19,402,047	17,997,650
Operating Income	1,846,825	1,030,996
Revenue Available For Debt Service	9,336,962	8,179,646
Debt Service	5,086,481	5,108,500
Debt Service Coverage Ratio	1.84	1.60

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

<u>Water System</u>	<u>2006-2007</u>	<u>2005-2006</u>
Operating Revenue	\$25,249,632	25,599,610
Operating Income	4,174,059	5,392,459
Revenue Available For Debt Service	13,485,554	13,489,164
Debt Service	8,952,001	8,964,301
Debt Service Coverage Ratio	1.51	1.50

### 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, 2006, is included in the City's August 31, 2007, 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, 2006. This was the twenty-fourth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

### Acknowledgments

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

Respectfully submitted,

Don Herz  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lincoln  
Nebraska

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
August 31, 2006

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.



*Charles S. Cox*

President

*Jeffrey R. Emer*

Executive Director





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**FINANCIAL SECTION**



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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lincoln, Nebraska as of and for the year ended August 31, 2007, which collectively comprise the City of Lincoln's basic financial statements. These financial statements are the responsibility of the City of Lincoln's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Lincoln Electric System which represent 56%, 30%, and 73%, 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, 2006, and in our report dated December 29, 2006, we express unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

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

In our opinion, based on our audit and the report of the other accountants, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lincoln, Nebraska as of August 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund, street construction fund and federal grants fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

February 1, 2008

BKD, LLP



## 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, 2007. 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, 2007, by \$1,372,873,714 (net assets). Of this amount, \$38,303,979 (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 \$52,800,142. Of this amount, \$34,724,612, or 66 percent, was an increase in governmental activities and \$18,075,530, or 34 percent, related to business-type activities.
- As of August 31, 2007, the City's governmental funds reported combined ending fund balances of \$214,928,198, an increase of \$42,155,826 in comparison with the prior year. Of this total fund balance, 65 percent, or \$140,701,556, is available for spending at the City's discretion (unreserved fund balance).
- As of August 31, 2007, unreserved fund balance for the general fund was \$27,215,934, or 29 percent of total general fund expenditures.
- The City's total bonded debt increased by \$33,796,000 (4 percent) during the current fiscal year. The key factors in this increase was the issuance of \$20,460,000 in revenue bonds by Lincoln Wastewater System and \$27,000,000 of Highway Allocation Fund bonds.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

The statement of activities presents information showing how the City's net assets changed during the year ended August 31, 2007. 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-eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, the Street Construction fund, and the Federal Grants fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-65 of this report.

**OTHER INFORMATION**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its police and fire employees. Required supplementary information can be found on page 66 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 \$1,372,873,714 at August 31, 2007.

By far the largest portion of the City's net assets (80 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, 2007 and 2006

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and Other Assets	\$ 351,803,367	295,093,325	235,962,147	289,911,082	587,765,514	585,004,407
Capital Assets	565,061,393	541,860,899	1,295,983,463	1,226,525,652	1,861,044,856	1,768,386,551
Total Assets	916,864,760	836,954,224	1,531,945,610	1,516,436,734	2,448,810,370	2,353,390,958
Long-Term Liabilities Outstanding	189,389,458	147,861,604	720,521,396	719,509,376	909,910,854	867,370,980
Other Liabilities	20,864,896	17,206,826	145,160,906	148,739,580	166,025,802	165,946,406
Total Liabilities	210,254,354	165,068,430	865,682,302	868,248,956	1,075,936,656	1,033,317,386
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	433,488,477	417,745,982	658,947,439	626,166,169	1,092,435,916	1,043,912,151
Restricted	215,364,261	194,881,737	26,769,558	23,399,483	242,133,819	218,281,220
Unrestricted (Deficit)	57,757,668	59,258,075	(19,453,689)	(1,377,874)	38,303,979	57,880,201
Total Net Assets	\$ 706,610,406	671,885,794	666,263,308	648,187,778	1,372,873,714	1,320,073,572

An additional portion of the City's net assets (17 percent) represents resources that are subject to external restrictions on their use. The remaining balance of unrestricted net assets (3 percent) may be used to meet the government's ongoing obligations to citizens and creditors.



City Of Lincoln  
Condensed Statements of Activities  
For the Years Ended August 31, 2007 and 2006

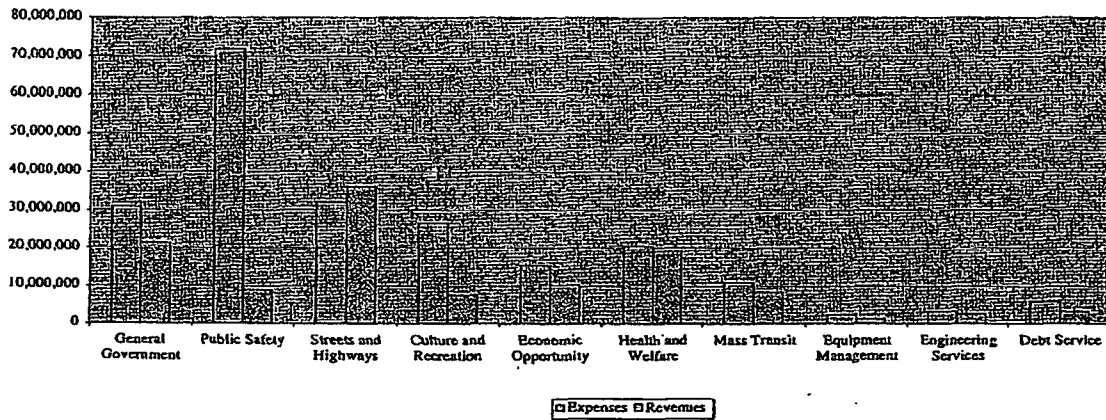
	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 44,445,675	40,715,491	269,038,960	250,844,120	313,484,635	291,559,611
Operating Grants and Contributions	56,089,320	45,068,631	141,346	-	56,230,666	45,068,631
Capital Grants and Contributions	17,990,651	24,519,249	11,359,957	11,092,348	29,350,608	35,611,597
<b>General Revenues:</b>						
Property Tax	45,981,349	43,081,366	-	-	45,981,349	43,081,366
Sales and Use Tax	54,363,413	54,348,587	-	-	54,363,413	54,348,587
Other Taxes	23,929,698	22,760,713	2,195,132	2,232,680	26,124,830	24,993,393
Unrestricted Grants and Contributions	1,573,535	1,589,033	-	-	1,573,535	1,589,033
Unrestricted Investment Earnings	6,355,562	3,650,661	9,333,779	6,187,797	15,689,341	9,838,458
Other	1,456,139	1,671,705	288,597	277,850	1,744,736	1,949,555
<b>Total Revenues</b>	<b>252,185,342</b>	<b>237,405,436</b>	<b>292,357,771</b>	<b>270,634,795</b>	<b>544,543,113</b>	<b>508,040,231</b>
<b>Expenses:</b>						
General Government	30,681,069	30,781,582	-	-	30,681,069	30,781,582
Public Safety	71,999,597	70,390,835	-	-	71,999,597	70,390,835
Streets and Highways	31,953,438	29,293,980	-	-	31,953,438	29,293,980
Culture and Recreation	26,528,155	25,379,286	-	-	26,528,155	25,379,286
Economic Opportunity	15,486,850	16,165,310	-	-	15,486,850	16,165,310
Health and Welfare	20,335,733	20,215,258	-	-	20,335,733	20,215,258
Mass Transit	10,891,704	9,706,032	-	-	10,891,704	9,706,032
Equipment Management	2,363,486	1,789,593	-	-	2,363,486	1,789,593
Engineering Services	3,148,005	2,499,482	-	-	3,148,005	2,499,482
Interest on Long-Term Debt	5,826,378	4,853,854	-	-	5,826,378	4,853,854
Parking	-	-	4,833,961	4,857,024	4,833,961	4,857,024
Golf Courses	-	-	3,167,880	3,169,578	3,167,880	3,169,578
Auditorium	-	-	2,274,043	2,403,906	2,274,043	2,403,906
Solid Waste Management	-	-	6,835,512	6,146,612	6,835,512	6,146,612
Ambulance Transport	-	-	3,679,318	3,793,035	3,679,318	3,793,035
Wastewater	-	-	18,230,853	17,563,692	18,230,853	17,563,692
Water	-	-	23,544,989	23,137,996	23,544,989	23,137,996
Electric	-	-	209,962,000	197,751,000	209,962,000	197,751,000
<b>Total Expenses</b>	<b>219,214,415</b>	<b>211,075,212</b>	<b>272,528,556</b>	<b>258,822,843</b>	<b>491,742,971</b>	<b>469,898,055</b>
Increase in Net Assets Before Transfers	32,970,927	26,330,224	19,829,215	11,811,952	52,800,142	38,142,176
Transfers	1,753,685	1,260,507	(1,753,685)	(1,260,507)	-	-
Increase in Net Assets	34,724,612	27,590,731	18,075,530	10,551,445	52,800,142	38,142,176
Net Assets - Beginning	671,885,794	644,295,063	648,187,778	637,636,333	1,320,073,572	1,281,931,396
Net Assets - Ending	\$ 706,610,406	671,885,794	666,263,308	648,187,778	1,372,873,714	1,320,073,572

**GOVERNMENTAL ACTIVITIES**

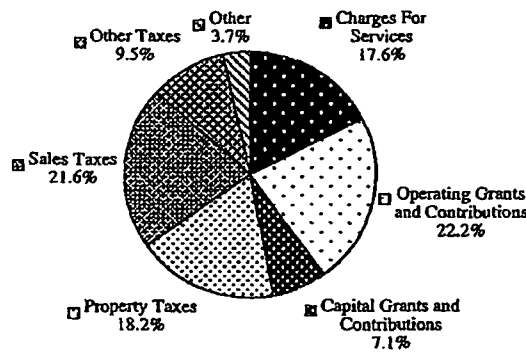
Governmental activities increased the City's net assets by \$34,724,612, accounting for 66 percent of the total growth in the net assets of the City of Lincoln. Key elements of this increase are as follows:

- The City's current year contribution to the Joint Antelope Valley Authority amounted to \$8,503,311.
- Property taxes increased by approximately \$2.9 million (6.7 percent) during 2007. Total growth in the tax base, which includes revaluations, annexations and other adjustments, was 12.95 percent.
- Other taxes increased by approximately \$1.2 million (5 percent). Wheel tax increased 11 percent effective January 1, 2007.
- Unrestricted investment earnings increased by approximately \$2.7 million (74%) during 2007.

### Expenses and Program Revenues - Governmental Activities



### Revenues By Source - Governmental Activities



### BUSINESS-TYPE ACTIVITIES

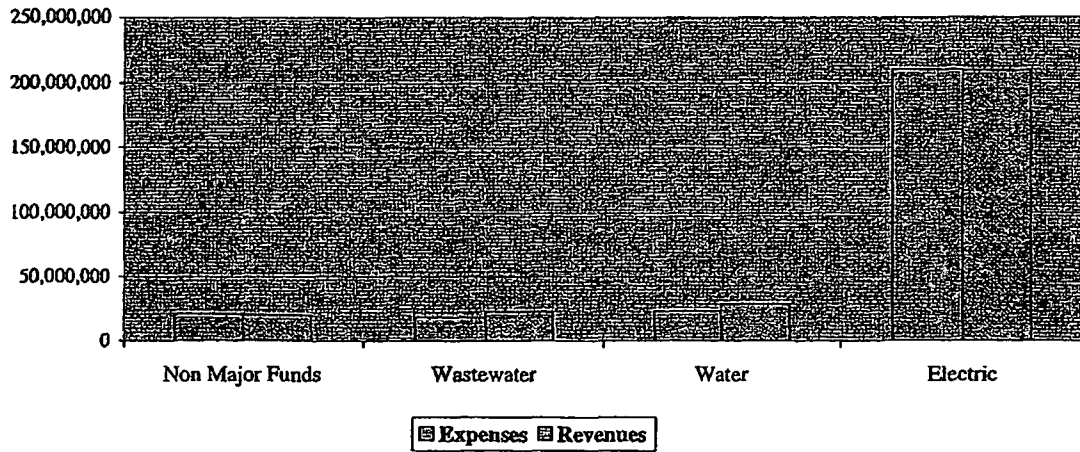
Business-type activities increased the City's net assets by \$18,075,530, accounting for 35 percent of the total growth in the government's net assets. Key elements of this increase are as follows:

- Charges for services increased by approximately \$18 million, or 7 percent. Wastewater revenues increased \$1.4 million (7.95%), primarily due to an increase of 9 percent in user fees implemented in February 2007 and because of increased water usage during the sanitary sewer basis period this fiscal year. Sanitary sewer bills for residential customers are based on water usage during a two-month period during the winter and remain the same over the balance of the following ten-month period.

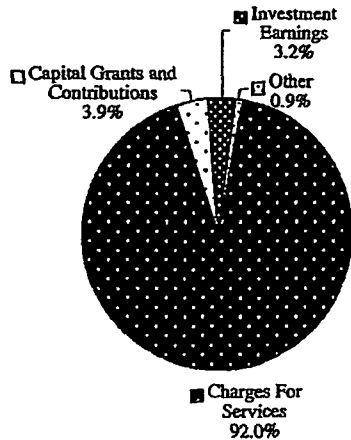
Revenues increased by approximately \$16 million (8.5 percent) for the Electric System in 2006 primarily due to a 4.5 percent rate increase effective April 2006 and a 9 percent rate increase effective August 2005.

- In 2006, LES changed the rate recovery philosophy regarding the recovery of carrying costs of contributed facilities. LES' intent going-forward is to recover carrying costs of contributed facilities in future rate cases.
- Both Lincoln Water and Wastewater Systems reported developer capital contributions in excess of \$3 million each.

**Expenses And Program Revenues - Business-type Activities**



**Revenues By Source - Business-type Activities**



## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

### GOVERNMENTAL FUNDS

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

As of August 31, 2007, the City's governmental funds reported combined ending fund balances of \$214,928,198, an increase of \$42,155,826 in comparison with the prior year. Of this total amount, 65 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 (\$19,143,000),
- pay debt service (\$13,976,879),
- 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 (\$4,106,763).

The General Fund is the chief operating fund of the City. At August 31, 2007, the unreserved fund balance of the General Fund was \$27,215,934, while total fund balance reached \$30,412,704. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 29 percent of total general fund expenditures, while total fund balance represents 32 percent of that same amount.

The fund balance of the City's General Fund increased by \$1,120,666 during 2007. This increase was primarily due to debt proceeds to be used for street lighting left unspent at year end.

The Street Construction Fund had a total fund balance of \$46,517,717, which is to be used in the construction and maintenance of street and highways. The net increase in fund balance during 2007 in the Street Construction Fund was \$28,853,406, a result of proceeds received from the issue of \$27,000,000 of general obligation highway allocation bonds.

The Federal Grants Fund had a fund balance of \$18,558,542, a net increase of \$982,715. While expenditures in the fund increased by \$1,687,003 (8 percent), revenues decreased by only \$239,142 (1 percent) and still exceeded expenditures by \$466,422.

### 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 (deficit) of the Wastewater System, Water System, Electric System, and other enterprise funds amounted to \$6,482,565, \$26,303,284, \$(56,651,000) and \$4,411,462, respectively, at August 31, 2007 (December 31, 2006 for LES). Factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget were relatively minor (decrease of \$126,072 in appropriations) and can be briefly summarized as follows:

- \$46,312 in miscellaneous changes in general government activities.
- \$(443,097) in decreases allocated to public safety.
- \$19,662 in increases allocated to street maintenance.
- \$(37,284) in decreases allocated to parks and recreation.
- \$288,335 in increases allocated for General Fund transfers to other City funds.

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

- \$3,588,099 positive variance in real estate and personal property tax. Actual property collections were 96.26% of the 2006 levy, while estimated tax revenue is based on 90% collections as provided by the City Charter.
- \$1,200,289 positive variance in general government/miscellaneous function expenditures. This variance was the result of better than anticipated insurance and contractual services costs, and contingency funds left unspent.
- \$(2,390,947) 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, 2007, amounts to \$1,861,044,856 (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 2007 was 5 percent (a 4 percent increase for governmental activities and a 6 percent increase for business-type activities).

Major capital asset events during 2007 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 as of August 31, 2007, reached \$86,580,733.
- Continued major electric plant construction including generation (Council Bluffs #4), transmission, substation and distribution system which totaled over \$70 million in 2006.
- Wastewater System capital assets increased by approximately \$12,976,000 (6 percent) due to major project additions such as:
  - ✓ Trunk sewer mains - \$7,937,000
  - ✓ Theresa Street treatment plant - \$5,724,000
- Water System capital assets increased by approximately \$10,753,000 (4 percent) due to major project additions such as:
  - ✓ Water distribution mains - \$5,952,000
  - ✓ Selected main replacements - \$4,691,000

**City Of Lincoln**  
**Capital Assets (net of depreciation)**  
**August 31, 2007 and 2006**

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 61,128,379	57,733,188	18,573,146	17,682,928	79,701,525	75,416,116
Buildings	47,679,644	48,432,468	135,597,833	138,885,792	183,277,477	187,318,260
Improvements Other Than Buildings	37,031,339	32,533,330	350,505,718	329,839,791	387,537,057	362,373,121
Machinery and Equipment	35,313,580	31,524,881	9,817,519	9,265,841	45,131,099	40,790,722
Utility Plant	-	-	555,158,000	555,515,000	555,158,000	555,515,000
Infrastructure	294,265,264	267,683,934	-	-	294,265,264	267,683,934
Construction-in-progress	89,643,187	103,953,098	226,331,247	175,336,300	315,974,434	279,289,398
<b>Total</b>	<b>\$ 565,061,393</b>	<b>541,860,899</b>	<b>1,295,983,463</b>	<b>1,226,525,652</b>	<b>1,861,044,856</b>	<b>1,768,386,551</b>

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

**LONG-TERM DEBT**

At August 31, 2007, the City of Lincoln had total bonded debt outstanding of \$851,573,000. Of this amount, \$133,413,000 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, 2007 and 2006**  
(dollar amounts in thousands)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
General Obligation Bonds	\$ 133,413	99,347	-	-	133,413	99,347
Tax Supported Bonds	8,515	9,110	-	-	8,515	9,110
Revenue Bonds	-	-	709,645	709,320	709,645	709,320
<b>Total</b>	<b>\$ 141,928</b>	<b>108,457</b>	<b>709,645</b>	<b>709,320</b>	<b>851,573</b>	<b>817,777</b>

The City's total bonded debt increased by \$33,796,000 (4 percent) during 2007. The key factors in this increase was the issuance of \$20,460,000 in revenue bonds by Lincoln Wastewater System to pay for certain improvements to the City sanitary sewer system, and \$27,000,000 of Highway Allocation Fund bonds for improvements to streets, state highways, or federal-aid routes of the City.

The City maintains the following credit ratings:

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

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

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

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

- Property tax revenue required to fund the 2008 budget increased \$1,430,491 or 3.66 percent over the prior year. Total change in the tax base is estimated at 2.03 percent.
- Sales tax collections for 2007 were below projections. 2008 projections reflect a 2.65 percent increase over 2007 actual collections. The 2007 Legislature passed a tax reduction package that narrowed the sales tax base. It is estimated this action will reduce 2008 fiscal year collections by \$260,000.
- Permits and fees are projected to decrease \$798,809 (20.5 percent) because \$912,000 revenue from the natural gas franchise fee was a one-time funding source only available for 2007.
- Fuel and utility charges are considerable and volatile cost items within all City operations and have continued to increase significantly.
- A 7 percent water rate increase and a 9 percent wastewater rate increase were adopted by the City Council and become effective February 2008.
- A hiring freeze and a retirement incentive package have been utilized to create vacant positions, eliminate positions, encourage reorganizations and make budget reductions while at the same time minimizing the number of layoffs. Employees selecting the retirement incentive could terminate employment anytime between September 1, 2007 and November 30, 2007. As a result, some positions that will eventually be eliminated are funded for a partial year in the 2008 budget.

All of these factors were considered in preparing the City's budget for the 2008 fiscal year.

#### **REQUESTS FOR INFORMATION**

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

**BASIC FINANCIAL STATEMENTS**



CITY OF LINCOLN, NEBRASKA  
STATEMENT OF NET ASSETS  
AUGUST 31, 2007  
With Summarized Financial Information as of August 31, 2006

	Governmental Activities	Business-Type Activities	Totals	
			2007	2006
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 37,167,340	28,618,690	65,786,030	35,118,941
Investments	121,136,752	12,949,429	134,086,181	134,948,947
Invested Securities Lending Collateral	4,749,143	-	4,749,143	3,870,941
Receivables, (Net of Allowance for Uncollectibles)	31,503,723	32,975,800	64,479,523	61,789,296
Internal Balances	(5,150,473)	5,150,473	-	-
Due from Other Governments	25,679,459	4,349	25,683,808	27,366,044
Inventories	1,876,355	13,862,250	15,738,605	12,213,961
Plant Operation Assets	-	6,383,000	6,383,000	4,886,000
Prepaid Items	731,946	835,697	1,567,643	2,304,501
Deferred Charges and Other Assets	1,304,055	12,560,341	13,864,396	13,372,967
<b>Restricted Assets:</b>				
Cash and Cash Equivalents	-	32,404,264	32,404,264	1,107,660
Investments	37,160,000	89,470,620	126,630,620	200,278,948
Receivables	-	747,234	747,234	604,445
Investment in Joint Venture	95,645,067	-	95,645,067	87,141,756
<b>Capital Assets:</b>				
Non-depreciable	150,771,566	244,904,393	395,675,959	354,705,514
Depreciable (Net)	414,289,827	1,051,079,070	1,465,368,897	1,413,681,037
<b>Total Assets</b>	<b>916,864,760</b>	<b>1,531,945,610</b>	<b>2,448,810,370</b>	<b>2,353,390,958</b>
<b>LIABILITIES</b>				
Accounts Payable	6,812,768	26,053,052	32,865,820	38,505,797
Accrued Liabilities	4,155,467	11,018,302	15,173,769	12,946,178
Due to Other Governments	1,362,075	135,029	1,497,104	409,476
Unearned Revenue	2,134,983	924,867	3,059,850	2,647,493
Obligations under Securities Lending	4,749,143	-	4,749,143	3,870,941
Other Liabilities	-	6,844,000	6,844,000	6,714,000
Commercial Paper Notes Payable	-	90,000,000	90,000,000	90,000,000
Matured Bonds and Interest Payable	-	-	-	104,249
Accrued Interest Payable	1,650,460	10,185,656	11,836,116	10,748,272
<b>Noncurrent Liabilities:</b>				
<b>Compensated Absences:</b>				
Payable within One Year	6,373,544	891,769	7,265,313	6,725,981
Payable in More Than One Year	5,257,577	582,052	5,839,629	3,898,697
<b>Claims and Judgements:</b>				
Payable within One Year	4,051,875	-	4,051,875	2,746,099
Payable in More Than One Year	2,303,631	-	2,303,631	3,165,285
<b>Bonds, Notes and Leases Payable:</b>				
Due within One Year	8,543,258	24,664,469	33,207,727	26,995,375
Due in More Than One Year	158,878,797	685,433,106	844,311,903	811,878,160
Net Pension Obligation	3,980,776	-	3,980,776	3,570,383
Accrued Landfill Closure/Postclosure Care Costs	-	8,950,000	8,950,000	8,391,000
<b>Total Liabilities</b>	<b>210,254,354</b>	<b>865,682,302</b>	<b>1,075,936,656</b>	<b>1,033,317,386</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	433,488,477	658,947,439	1,092,435,916	1,043,912,151
<b>Restricted for:</b>				
Debt Service, Net of Related Debt	7,166,128	22,756,351	29,922,479	27,879,990
Capital Projects	136,250,781	3,920,317	140,171,098	124,299,751
Grantor Loan Programs	19,143,000	-	19,143,000	17,497,000
Other	654,710	92,890	747,600	732,655
<b>Trust Donations:</b>				
Expendable	1,910,741	-	1,910,741	1,749,588
Nonexpendable	160,000	-	160,000	160,000
<b>Health Care:</b>				
Expendable	13,078,901	-	13,078,901	8,962,236
Nonexpendable	37,000,000	-	37,000,000	37,000,000
Unrestricted (Deficit)	57,757,668	(19,453,689)	38,303,979	57,880,201
<b>Total Net Assets</b>	<b>\$ 706,610,406</b>	<b>666,263,308</b>	<b>1,372,873,714</b>	<b>1,320,073,572</b>

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

CITY OF LINCOLN, NEBRASKA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2007  
With Summarized Financial Information for the Year Ended August 31, 2006

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Totals	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	2007	2006
<b>Governmental Activities:</b>								
General Government	\$ (30,681,069)	19,617,633	1,395,767	335,254	(9,332,415)	-	(9,332,415)	(13,062,683)
Public Safety	(71,999,597)	5,490,790	3,249,163	224,212	(63,035,432)	-	(63,035,432)	(59,818,823)
Streets and Highways	(31,953,438)	6,105,933	16,223,950	13,727,190	4,103,635	-	4,103,635	9,669,657
Culture and Recreation	(26,528,155)	3,485,195	1,888,443	2,185,481	(18,969,036)	-	(18,969,036)	(17,188,145)
Economic Opportunity	(15,486,850)	809,767	9,392,662	55,289	(5,229,132)	-	(5,229,132)	(5,773,555)
Health and Welfare	(20,335,733)	3,554,840	15,646,927	-	(1,133,966)	-	(1,133,966)	(6,403,015)
Mass Transit	(10,891,704)	1,525,089	6,772,408	-	(2,594,207)	-	(2,594,207)	(6,328,405)
Equipment Management	(2,363,486)	1,264,810	-	-	(1,098,676)	-	(1,098,676)	(92,656)
Engineering Services	(3,148,005)	2,287,906	-	169,807	(690,292)	-	(690,292)	(328,452)
Interest on Long-Term Debt	(5,826,378)	303,712	1,520,000	1,293,418	(2,709,248)	-	(2,709,248)	(1,445,764)
<b>Total Governmental Activities</b>	<b>(219,214,415)</b>	<b>44,445,675</b>	<b>56,089,320</b>	<b>17,990,651</b>	<b>(100,688,769)</b>	<b>-</b>	<b>(100,688,769)</b>	<b>(100,771,841)</b>
<b>Business-Type Activities:</b>								
Parking Lots	(217,915)	216,723	-	-	-	(1,192)	(1,192)	14,228
Golf	(3,167,880)	2,903,859	-	-	-	(264,021)	(264,021)	(181,506)
Parking Facilities	(4,616,046)	6,264,615	-	-	-	1,648,569	1,648,569	1,878,217
Municipal Auditorium	(2,274,043)	1,620,807	-	-	-	(653,236)	(653,236)	(469,564)
Solid Waste Management	(6,835,512)	5,202,465	-	-	-	(1,633,047)	(1,633,047)	(2,017,782)
Emergency Medical Services	(3,679,318)	3,764,181	-	-	-	84,863	84,863	(503,833)
Wastewater System	(18,230,853)	19,379,833	141,346	3,047,677	-	4,338,003	4,338,003	5,493,657
Water System	(23,544,989)	25,159,477	-	3,420,280	-	5,034,768	5,034,768	8,282,208
Electric System	(209,962,000)	204,527,000	-	4,892,000	-	(543,000)	(543,000)	(9,382,000)
<b>Total Business-Type Activities</b>	<b>(272,528,556)</b>	<b>269,038,960</b>	<b>141,346</b>	<b>11,359,957</b>	<b>-</b>	<b>8,011,707</b>	<b>8,011,707</b>	<b>3,113,625</b>
<b>Total Primary Government</b>	<b>\$ (491,742,971)</b>	<b>313,484,635</b>	<b>56,230,666</b>	<b>29,350,608</b>	<b>(100,688,769)</b>	<b>8,011,707</b>	<b>(92,677,062)</b>	<b>(97,658,216)</b>
<b>General Revenues:</b>								
Property Tax					45,981,349	-	45,981,349	43,081,366
Motor Vehicle Tax					4,298,290	-	4,298,290	4,249,847
Wheel Tax					10,059,772	-	10,059,772	9,250,300
Sales and Use Tax					54,363,413	-	54,363,413	54,348,587
Sundry and In Lieu Tax					37,235	-	37,235	35,020
Occupation Tax					9,534,401	2,195,132	11,729,533	11,458,226
Unrestricted Grants and Contributions					1,573,535	-	1,573,535	1,589,033
Unrestricted Investment Earnings					6,355,562	9,333,779	15,689,341	9,838,458
Miscellaneous General Revenues					907,513	176,226	1,083,739	1,277,957
Gain on Sale of Capital Assets					548,626	112,371	660,997	671,598
Transfers					1,753,685	(1,753,685)	-	-
<b>Total General Revenues and Transfers</b>					<b>135,413,381</b>	<b>10,063,823</b>	<b>145,477,204</b>	<b>135,800,392</b>
<b>Change in Net Assets</b>					<b>34,724,612</b>	<b>18,075,530</b>	<b>52,800,142</b>	<b>38,142,176</b>
<b>Net Assets - Beginning</b>					<b>671,885,794</b>	<b>648,187,778</b>	<b>1,320,073,572</b>	<b>1,281,931,396</b>
<b>Net Assets - Ending</b>					<b>\$ 706,610,406</b>	<b>666,263,308</b>	<b>1,372,873,714</b>	<b>1,320,073,572</b>

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

CITY OF LINCOLN, NEBRASKA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2007

	General Fund	Street Construction Fund	Federal Grants Fund	Other Governmental Funds	Total
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 4,073,318	7,613,078	-	21,257,578	32,943,974
Investments	10,432,332	28,083,624	-	104,217,711	142,733,667
Invested Securities Lending Collateral	-	-	-	4,749,143	4,749,143
Receivables, (Net of Allowance for Uncollectibles)	4,915,768	348,605	19,205,301	6,394,506	30,864,180
Due from Other Funds	3,507,480	10,509,125	-	5,989,879	20,006,484
Due from Other Governments	10,045,198	10,953,020	2,650,280	1,863,028	25,511,526
Inventories	531,436	59,243	-	682,250	1,272,929
Prepaid Items	13,563,230	-	-	-	13,563,230
<b>Total Assets</b>	<u>47,068,762</u>	<u>57,566,695</u>	<u>21,855,581</u>	<u>145,154,095</u>	<u>271,645,133</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts Payable	733,331	2,293,848	556,599	1,470,253	5,054,031
Contracts Payable	-	700,299	-	645,272	1,345,571
Accrued Liabilities	1,499,237	70,149	225,610	1,212,191	3,007,187
Due to Other Funds	12,767,058	6,083	1,113,479	12,720,079	26,606,699
Due to Other Governments	241,159	66	712,592	104,006	1,057,823
Unearned Revenue	-	-	-	1,539,924	1,539,924
Obligations under Securities Lending	-	-	-	4,749,143	4,749,143
Deferred Revenue	1,415,273	7,978,533	688,759	3,273,992	13,356,557
<b>Total Liabilities</b>	<u>16,656,058</u>	<u>11,048,978</u>	<u>3,297,039</u>	<u>25,714,860</u>	<u>56,716,935</u>
<b>Fund Balances:</b>					
<b>Reserved for:</b>					
Inventories	531,436	59,243	-	682,250	1,272,929
Prepaid Items	417,321	-	-	-	417,321
Improvements	1,593,303	-	-	8,500	1,601,803
Grantor Loan Programs	-	-	19,143,000	-	19,143,000
Restricted Funds	654,710	-	-	-	654,710
Debt Service	-	-	-	13,976,879	13,976,879
Trust Donations (non-expendable)	-	-	-	160,000	160,000
Health Care (non-expendable)	-	-	-	37,000,000	37,000,000
<b>Unreserved, Reported in:</b>					
<b>General Fund:</b>					
Designated for Debt Service	379,035	-	-	-	379,035
Designated for Subsequent Years Expenditures	3,079,398	-	-	-	3,079,398
Designated for Encumbrances	569,068	-	-	-	569,068
Undesignated (Deficit)	23,188,433	-	-	-	23,188,433
<b>Special Revenue Funds:</b>					
Designated for Subsequent Years Expenditures	-	9,309	-	965,028	974,337
Designated for Encumbrances	-	21,659,898	-	1,562,246	23,222,144
Undesignated (Deficit)	-	24,789,267	(584,458)	16,967,143	41,171,952
Debt Service Funds	-	-	-	9,933,914	9,933,914
<b>Capital Projects Funds:</b>					
Designated for Encumbrances	-	-	-	2,750,856	2,750,856
Undesignated	-	-	-	21,823,160	21,823,160
Permanent Funds	-	-	-	13,609,259	13,609,259
<b>Total Fund Balances</b>	<u>30,412,704</u>	<u>46,517,717</u>	<u>18,558,542</u>	<u>119,439,235</u>	<u>214,928,198</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 47,068,762</u>	<u>57,566,695</u>	<u>21,855,581</u>	<u>145,154,095</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.	541,733,317
Investment in joint venture is not a financial resource and, therefore, not reported in the funds.	95,645,067
Other long-term assets are not available to pay for current-period expenditures and, therefore, deferred in the funds.	13,356,557
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.	23,993,386
Accrued pension contribution, special termination and other liabilities require the use of unavailable financial resources and, therefore, are not reported in the funds.	(1,118,613)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, not reported in the funds.	<u>(181,927,506)</u>
<b>Net assets of governmental activities</b>	<u>\$ 706,610,406</u>

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

CITY OF LINCOLN, NEBRASKA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2007

	General Fund	Street Construction Fund	Federal Grants Fund	Other Governmental Funds	Total
<b>REVENUES</b>					
Taxes:					
Property	\$ 26,854,114	-	-	19,149,605	46,003,719
Motor Vehicle	4,298,290	-	-	-	4,298,290
Wheel	-	-	-	10,059,772	10,059,772
Sales and Use	54,363,413	-	-	-	54,363,413
Sundry and In Lieu	25,353	-	-	9,762	35,115
Occupation	9,054,831	-	-	-	9,054,831
Special Assessment	2,306	-	-	1,510,942	1,513,248
Intergovernmental	2,963,083	25,885,965	21,357,361	13,721,634	63,928,043
Permits and Fees	3,825,854	4,250,783	699,354	10,350,248	19,126,239
Reimbursement for Services	5,220,138	2,971	402,255	865,748	6,491,112
Program Income	-	-	34,155	-	34,155
Investment Earnings	873,087	1,086,774	31,579	8,380,125	10,371,565
Donations	645,793	-	79,058	222,588	947,439
Keno Proceeds	-	-	-	2,798,262	2,798,262
Miscellaneous	750,263	1,235,062	78,143	1,208,783	3,272,251
Total Revenues	<u>108,876,525</u>	<u>32,461,555</u>	<u>22,681,905</u>	<u>68,277,469</u>	<u>232,297,454</u>
<b>EXPENDITURES</b>					
Current					
General Government	26,576,545	-	188,584	7,181,129	33,946,258
Public Safety	48,515,282	-	4,003,174	8,435,195	60,953,651
Streets and Highways	8,452,096	6,165,985	1,554	2,810,817	17,430,452
Culture and Recreation	11,145,161	-	2,116,924	8,457,459	21,719,544
Economic Opportunity	218,570	-	7,103,364	4,348,381	11,670,315
Health and Welfare	301,318	-	8,655,745	11,421,800	20,378,863
Mass Transit	-	-	146,138	14,731,219	14,877,357
Debt Service	80,112	-	-	11,509,608	11,589,720
Capital Outlay	-	30,970,732	-	13,985,222	44,955,954
Total Expenditures	<u>95,289,084</u>	<u>37,136,717</u>	<u>22,215,483</u>	<u>82,880,830</u>	<u>237,522,114</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>13,587,441</u>	<u>(4,675,162)</u>	<u>466,422</u>	<u>(14,603,361)</u>	<u>(5,224,660)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	3,305,338	10,911,613	516,849	27,938,872	42,672,672
Transfers Out	(21,337,665)	(4,650,376)	(556)	(14,654,706)	(40,643,303)
Issuance of Debt	5,500,000	27,000,000	-	12,088,425	44,588,425
Premium on Debt Issued	5,091	267,331	-	212,389	484,811
Discount on Debt Issued	-	-	-	(5,255)	(5,255)
Sale of Capital Assets	60,461	-	-	222,675	283,136
Total Other Financing Sources (Uses)	<u>(12,466,775)</u>	<u>33,528,568</u>	<u>516,293</u>	<u>25,802,400</u>	<u>47,380,486</u>
Net Change in Fund Balances	1,120,666	28,853,406	982,715	11,199,039	42,155,826
Fund Balances - Beginning	<u>29,292,038</u>	<u>17,664,311</u>	<u>17,575,827</u>	<u>108,240,196</u>	<u>172,772,372</u>
Fund Balances - Ending	<u>\$ 30,412,704</u>	<u>46,517,717</u>	<u>18,558,542</u>	<u>119,439,235</u>	<u>214,928,198</u>

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

**CITY OF LINCOLN, NEBRASKA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED AUGUST 31, 2007**

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

Net change in fund balances - total governmental funds	\$ 42,155,826
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	19,497,770
The net effect of various miscellaneous transactions involving capital contributions is to increase net assets.	5,935,163
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(1,307,685)
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.	(38,089,050)
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.	(3,941,807)
Changes in the net pension asset/obligation do not represent financial activity in governmental funds.	(410,393)
Changes in the interest in the underlying net assets of the joint venture do not represent financial activity in governmental funds.	8,503,311
Some pension contribution expenses require the use of unavailable financial resources and, therefore, are not reported as expenditures in governmental funds.	1,285
Internal service funds are used by management to charge the costs of certain services to individual funds.	<u>2,380,192</u>
Change in net assets of governmental activities	<u>\$ 34,724,612</u>

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

CITY OF LINCOLN, NEBRASKA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)  
FOR THE YEAR ENDED AUGUST 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Real Estate and Personal Property Tax	\$ 29,062,234	29,062,234	32,650,333	3,588,099
Taxes Collected by Others	54,219,949	54,219,949	53,960,485	(259,464)
Sundry Taxes and In Lieu	26,002	26,002	25,431	(571)
Occupation Taxes	9,634,727	9,634,727	9,871,053	236,326
Intergovernmental	2,959,242	2,959,242	3,121,260	162,018
Permits and Fees	3,564,535	3,564,535	3,421,249	(143,286)
Reimbursement for Services	2,530,447	2,530,447	2,528,006	(2,441)
Court Fees	382,000	382,000	495,049	113,049
Recreation Receipts	2,153,529	2,153,529	2,124,846	(28,683)
Investment Earnings	558,367	558,367	827,437	269,070
Donations	645,311	645,311	646,886	1,575
Rental Income	535,631	535,631	621,442	85,811
Miscellaneous	506,002	506,002	518,105	12,103
<b>Total Revenues</b>	<b>106,777,976</b>	<b>106,777,976</b>	<b>110,811,582</b>	<b>4,033,606</b>
<b>Expenditures:</b>				
<b>General Government:</b>				
Legislative	324,492	307,223	268,865	38,358
Executive	1,298,453	1,356,653	1,259,758	96,895
Financial Administration	2,244,459	2,204,459	2,134,870	69,589
Law	2,047,700	2,052,700	2,030,374	22,326
Personnel Administration	906,578	906,578	887,945	18,633
Planning and Zoning	1,679,249	1,679,249	1,528,546	150,703
Urban Development	855,139	881,139	887,928	(6,789)
Miscellaneous	18,699,067	18,713,448	17,513,159	1,200,289
<b>Total General Government</b>	<b>28,055,137</b>	<b>28,101,449</b>	<b>26,511,445</b>	<b>1,590,004</b>
<b>Public Safety:</b>				
Police	29,412,464	29,028,164	28,301,649	726,515
Fire	19,346,382	19,286,010	18,727,388	558,622
Traffic Engineering	1,607,818	1,609,393	1,543,467	65,926
<b>Total Public Safety</b>	<b>50,366,664</b>	<b>49,923,567</b>	<b>48,572,504</b>	<b>1,351,063</b>
<b>Streets and Highways:</b>				
Street Maintenance	2,308,424	2,328,086	2,435,640	(107,554)
Street Lighting	3,632,410	3,632,410	6,023,357	(2,390,947)
<b>Total Streets and Highways</b>	<b>5,940,834</b>	<b>5,960,496</b>	<b>8,458,997</b>	<b>(2,498,501)</b>
<b>Culture and Recreation:</b>				
Parks and Recreation	11,645,704	11,608,420	11,186,659	421,761
Libraries	136,582	136,582	136,582	-
<b>Total Culture and Recreation</b>	<b>11,782,286</b>	<b>11,745,002</b>	<b>11,323,241</b>	<b>421,761</b>
<b>Economic Opportunity:</b>				
Lincoln Area Agency on Aging	219,140	219,140	219,140	-
<b>Health and Welfare:</b>				
Lincoln/Lancaster County Health	316,527	316,527	316,527	-
<b>Debt Service:</b>				
Issuance and Management Costs	-	-	80,112	(80,112)
<b>Total Expenditures</b>	<b>96,680,588</b>	<b>96,266,181</b>	<b>95,481,966</b>	<b>784,215</b>
<b>Excess of Revenues Over Expenditures</b>	<b>10,097,388</b>	<b>10,511,795</b>	<b>15,329,616</b>	<b>4,817,821</b>
<b>Other Financing Sources (Uses):</b>				
Transfers In	2,553,019	2,553,019	3,302,291	749,272
Transfers Out	(19,399,059)	(19,687,394)	(21,337,665)	(1,650,271)
Proceeds from Issuance of Debt	5,500,000	5,500,000	5,500,000	-
Premium on Debt Issued	-	-	5,091	5,091
Sale of Capital Assets	62,659	62,659	60,461	(2,198)
<b>Total Other Financing Sources (Uses)</b>	<b>(11,283,381)</b>	<b>(11,571,716)</b>	<b>(12,469,822)</b>	<b>(898,106)</b>
<b>Net Change in Fund Balances</b>	<b>(1,185,993)</b>	<b>(1,059,921)</b>	<b>2,859,794</b>	<b>3,919,715</b>
<b>Fund Balances - Beginning</b>	<b>16,603,008</b>	<b>16,603,008</b>	<b>16,603,008</b>	<b>-</b>
<b>Fund Balances - Ending</b>	<b>\$ 15,417,015</b>	<b>15,543,087</b>	<b>19,462,802</b>	<b>3,919,715</b>

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, 2007

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental	\$ 12,794,018	12,794,018	15,826,903	3,032,885
Permits and Fees	-	-	2,314,448	2,314,448
Reimbursement for Services	400,000	400,000	3,061	(396,939)
Investment Earnings	200,000	200,000	99,984	(100,016)
Miscellaneous	-	-	930	930
<b>Total Revenues</b>	<u>13,394,018</u>	<u>13,394,018</u>	<u>18,245,326</u>	<u>4,851,308</u>
<b>Expenditures -- Streets and Highways:</b>				
Personal Services	3,262,440	3,262,440	3,283,321	(20,881)
Materials and Supplies	514,200	514,200	459,981	54,219
Other Services and Charges	2,941,093	2,941,093	2,159,282	781,811
Capital Outlay	76,100	76,100	68,476	7,624
<b>Total Expenditures</b>	<u>6,793,833</u>	<u>6,793,833</u>	<u>5,971,060</u>	<u>822,773</u>
<b>Excess of Revenues Over Expenditures</b>	<u>6,600,185</u>	<u>6,600,185</u>	<u>12,274,266</u>	<u>5,674,081</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	10,911,613	10,911,613	10,911,613	-
Transfers Out	(4,650,376)	(4,650,376)	(4,650,376)	-
Issuance of Debt	27,000,000	27,000,000	27,000,000	-
Premium on Debt Issued	-	-	267,330	267,330
<b>Total Other Financing Sources (Uses)</b>	<u>33,261,237</u>	<u>33,261,237</u>	<u>33,528,567</u>	<u>267,330</u>
<b>Net Change in Fund Balances</b>	39,861,422	39,861,422	45,802,833	5,941,411
<b>Amount Budgeted on Project Basis</b>	(15,313,743)	(15,313,743)	(15,313,743)	-
<b>Fund Balances - Beginning</b>	<u>13,403,554</u>	<u>13,403,554</u>	<u>13,403,554</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ 37,951,233</u>	<u>37,951,233</u>	<u>43,892,644</u>	<u>5,941,411</u>

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



CITY OF LINCOLN, NEBRASKA  
 FEDERAL GRANTS FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)  
 FOR THE YEAR ENDED AUGUST 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 21,123,764	21,123,764	20,719,124	(404,640)
Permits and Fees	639,085	639,085	639,085	-
Reimbursement for Services	303,392	303,392	303,392	-
Client Contributions	324	324	324	-
Program Income	1,232,359	1,232,359	1,331,155	98,796
Recreation Receipts	12,793	12,793	12,793	-
Investment Earnings	27,865	27,865	27,979	114
Donations	79,057	79,057	79,057	-
Rental Income	113,873	113,873	102,303	(11,570)
Private Sector Share of Project	50	50	50	-
Miscellaneous	77,909	77,909	78,093	184
<b>Total Revenues</b>	<b>23,610,471</b>	<b>23,610,471</b>	<b>23,293,355</b>	<b>(317,116)</b>
<b>Expenditures:</b>				
<b>General Government:</b>				
Materials and Supplies	507	507	507	-
Other Services and Charges	97,617	97,617	97,617	-
Capital Outlay	129,675	129,675	129,675	-
<b>Total General Government</b>	<b>227,799</b>	<b>227,799</b>	<b>227,799</b>	<b>-</b>
<b>Public Safety:</b>				
Personal Services	1,194,129	1,194,129	1,194,129	-
Materials and Supplies	151,876	151,876	151,876	-
Other Services and Charges	1,168,894	1,168,894	1,168,894	-
Capital Outlay	551,679	551,679	551,679	-
<b>Total Public Safety</b>	<b>3,066,578</b>	<b>3,066,578</b>	<b>3,066,578</b>	<b>-</b>
<b>Culture and Recreation:</b>				
Personal Services	655,668	655,668	655,668	-
Materials and Supplies	28,988	28,988	28,988	-
Other Services and Charges	493,915	493,915	493,915	-
Capital Outlay	1,080,549	1,080,549	1,080,549	-
<b>Total Culture and Recreation</b>	<b>2,259,120</b>	<b>2,259,120</b>	<b>2,259,120</b>	<b>-</b>
<b>Economic Opportunity:</b>				
Personal Services	3,967,337	3,967,337	3,905,780	61,557
Materials and Supplies	127,662	127,662	129,703	(2,041)
Other Services and Charges	1,948,428	1,948,428	1,737,128	211,300
Capital Outlay	4,858	4,858	63,976	(59,118)
Loans and Grants	4,102,511	4,102,511	4,073,255	29,256
<b>Total Economic Opportunity</b>	<b>10,150,796</b>	<b>10,150,796</b>	<b>9,909,842</b>	<b>240,954</b>

(Continued)

(Federal Grants Fund, Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Health and Welfare:</b>				
Personal Services	4,290,212	4,290,212	4,290,212	-
Materials and Supplies	262,466	262,466	262,466	-
Other Services and Charges	3,019,739	3,019,739	3,019,739	-
Capital Outlay	258,687	258,687	258,687	-
Loans and Grants	76,962	76,962	76,962	-
<b>Total Health and Welfare</b>	<u>7,908,066</u>	<u>7,908,066</u>	<u>7,908,066</u>	<u>-</u>
<b>Mass Transit:</b>				
Personal Services	142,867	142,867	142,867	-
Materials and Supplies	5	5	5	-
Other Services and Charges	2,434	2,434	2,434	-
<b>Total Mass Transit</b>	<u>145,306</u>	<u>145,306</u>	<u>145,306</u>	<u>-</u>
<b>Total Expenditures</b>	<u>23,757,665</u>	<u>23,757,665</u>	<u>23,516,711</u>	<u>240,954</u>
<b>Deficiency of Revenues Under Expenditures</b>	<u>(147,194)</u>	<u>(147,194)</u>	<u>(223,356)</u>	<u>(76,162)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	516,849	516,849	516,849	-
Transfers Out	(556)	(556)	(556)	-
<b>Total Other Financing Sources (Uses)</b>	<u>516,293</u>	<u>516,293</u>	<u>516,293</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	369,099	369,099	292,937	(76,162)
<b>Fund Deficits - Beginning</b>	<u>(1,360,278)</u>	<u>(1,360,278)</u>	<u>(1,360,278)</u>	<u>-</u>
<b>Fund Deficits - Ending</b>	<u>\$ (991,179)</u>	<u>(991,179)</u>	<u>(1,067,341)</u>	<u>(76,162)</u>

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

CITY OF LINCOLN, NEBRASKA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
AUGUST 31, 2007

	Business-Type Activities – Enterprise Funds				Total	Governmental Activities -- Internal Service Funds
	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Other Enterprise Funds		
<b>ASSETS</b>						
<b>Current Assets:</b>						
Cash and Cash Equivalents	\$ 4,872,559	7,012,925	13,235,000	3,498,206	28,618,690	4,223,366
Investments	-	-	1,997,000	10,952,429	12,949,429	15,563,085
<b>Restricted Assets:</b>						
Cash and Cash Equivalents	-	-	14,287,000	92,890	14,379,890	-
Accounts Receivable, (Net of Allowance for Uncollectibles)	1,373,610	2,765,516	14,002,000	2,117,764	20,258,890	465,607
Accrued Interest Receivable	-	-	519,000	126,042	645,042	173,936
Unbilled Revenues	1,970,331	3,497,537	6,604,000	-	12,071,868	-
Due from Other Funds	2,105,923	4,242,746	-	872,339	7,221,008	2,447,240
Due from Other Governments	-	-	-	4,349	4,349	167,933
Inventories	93,689	822,851	12,758,000	187,710	13,862,250	603,426
Plant Operation Assets	-	-	6,383,000	-	6,383,000	-
Prepaid Expenses	-	-	828,000	7,697	835,697	314,625
<b>Total Current Assets</b>	<b>10,416,112</b>	<b>18,341,575</b>	<b>70,613,000</b>	<b>17,859,426</b>	<b>117,230,113</b>	<b>23,959,218</b>
<b>Noncurrent Assets:</b>						
<b>Restricted Assets:</b>						
Cash and Cash Equivalents	-	-	17,239,000	785,374	18,024,374	-
Investments	24,361,075	33,947,525	27,336,000	3,826,020	89,470,620	-
Accounts Receivable	-	-	-	23	23	-
Accrued Interest Receivable	326,516	358,063	-	62,632	747,211	-
Due from Other Funds	-	-	-	160,102	160,102	-
<b>Total Restricted Assets</b>	<b>24,687,591</b>	<b>34,305,588</b>	<b>44,575,000</b>	<b>4,834,151</b>	<b>108,402,330</b>	<b>-</b>
Deferred Charges	860,136	710,058	10,498,000	492,147	12,560,341	-
<b>Capital Assets:</b>						
Land	3,184,797	4,712,177	-	10,676,172	18,573,146	48,250
Buildings	52,787,209	95,103,963	-	49,269,005	197,160,177	373,146
Improvements Other Than Buildings	206,422,389	232,790,759	-	30,466,044	469,679,192	1,159,425
Machinery and Equipment	7,864,371	5,644,686	-	10,734,163	24,243,220	23,649,110
Utility Plant	-	-	892,674,000	-	892,674,000	-
Construction In Progress	39,104,516	7,944,302	179,170,000	112,429	226,331,247	-
Less Accumulated Depreciation	(70,308,234)	(85,417,597)	(337,516,000)	(39,435,688)	(532,677,519)	(15,047,764)
<b>Total Capital Assets, Net</b>	<b>239,055,048</b>	<b>260,778,290</b>	<b>734,328,000</b>	<b>61,822,125</b>	<b>1,295,983,463</b>	<b>10,182,167</b>
<b>Total Noncurrent Assets</b>	<b>264,602,775</b>	<b>295,793,936</b>	<b>789,401,000</b>	<b>67,148,423</b>	<b>1,416,946,134</b>	<b>10,182,167</b>
<b>Total Assets</b>	<b>275,018,887</b>	<b>314,135,511</b>	<b>860,014,000</b>	<b>85,007,849</b>	<b>1,534,176,247</b>	<b>34,141,385</b>
<b>LIABILITIES</b>						
<b>Current Liabilities:</b>						
Accounts Payable	288,049	540,974	14,615,000	581,138	16,025,161	310,215
Construction Contracts	3,932,978	4,326,913	1,768,000	-	10,027,891	-
Accrued Liabilities	376,864	1,110,356	9,314,000	217,082	11,018,302	435,888
Accrued Compensated Absences	298,861	350,348	-	891,769	242,560	657,185
Due to Other Funds	-	-	-	399,752	399,752	997,498
Due to Other Governments	-	-	-	135,029	135,029	982
Unearned Revenue	-	-	-	924,867	924,867	595,059
Claims	-	-	-	-	-	4,051,875
Accrued Interest	951,707	142,264	9,046,000	45,685	10,185,656	465
Commercial Paper Notes Payable	-	-	90,000,000	-	90,000,000	-
Current Portion of Capital Lease	-	-	-	444,469	444,469	58,886
Current Portion of Long-Term Debt	2,415,000	5,555,000	14,430,000	1,820,000	24,220,000	-
Other	-	-	6,844,000	-	6,844,000	-
<b>Total Current Liabilities</b>	<b>8,263,459</b>	<b>12,025,855</b>	<b>146,017,000</b>	<b>4,810,582</b>	<b>171,116,896</b>	<b>7,108,053</b>
<b>Noncurrent Liabilities:</b>						
Due to Other Funds	-	-	-	1,830,885	1,830,885	-
Accrued Compensated Absences	187,035	339,216	-	55,801	582,052	628,417
Claims	-	-	-	-	-	2,303,631
Long-Term Debt, Net	85,695,062	68,835,091	513,590,000	16,835,424	684,955,577	-
Capital Lease Payable	-	-	-	477,529	477,529	107,898
Accrued Landfill Closure/Postclosure Care Costs	-	-	-	8,950,000	8,950,000	-
<b>Total Noncurrent Liabilities</b>	<b>85,882,097</b>	<b>69,174,307</b>	<b>513,590,000</b>	<b>28,149,639</b>	<b>696,796,043</b>	<b>3,039,946</b>
<b>Total Liabilities</b>	<b>94,145,556</b>	<b>81,200,162</b>	<b>659,607,000</b>	<b>32,960,221</b>	<b>867,912,939</b>	<b>10,147,999</b>
<b>NET ASSETS</b>						
Invested in Capital Assets, Net of Related Debt	173,291,909	204,223,192	235,084,000	46,348,338	658,947,439	10,015,384
<b>Restricted for:</b>						
Debt Service	410,983	205,715	21,974,000	165,653	22,756,351	-
Capital Projects	687,874	2,203,158	-	1,029,285	3,920,317	-
Other	-	-	-	92,890	92,890	-
Unrestricted	6,482,565	26,303,284	(56,651,000)	4,411,462	(19,453,689)	13,978,002
<b>Total Net Assets</b>	<b>\$ 180,873,331</b>	<b>232,935,349</b>	<b>200,407,000</b>	<b>52,047,628</b>	<b>666,263,308</b>	<b>23,993,386</b>

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

CITY OF LINCOLN, NEBRASKA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2007

	Business-Type Activities -- Enterprise Funds				Total	Governmental Activities -- Internal Service Funds
	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Other Enterprise Funds		
<b>Operating Revenues</b>						
Charges for Services	\$ 19,402,047	25,249,632	204,527,000	3,764,181	252,942,860	46,227,490
Fees	-	-	-	7,571,304	7,571,304	-
Parking Facility Revenue	-	-	-	6,471,758	6,471,758	-
Performance Revenue	-	-	-	1,527,542	1,527,542	-
Other Operating Revenue	-	-	-	711,568	711,568	-
<b>Total Operating Revenues</b>	<u>19,402,047</u>	<u>25,249,632</u>	<u>204,527,000</u>	<u>20,046,353</u>	<u>269,225,032</u>	<u>46,227,490</u>
<b>Operating Expenses</b>						
Personal Services	-	-	-	6,804,685	6,804,685	12,625,109
Contractual Services	-	-	-	3,789,152	3,789,152	-
Operation and Maintenance	9,888,570	12,190,525	11,427,000	5,532,172	39,038,267	30,577,708
Purchased Power	-	-	115,051,000	-	115,051,000	-
Depreciation	6,092,258	6,724,437	28,665,000	3,399,897	44,881,592	2,464,483
Administrative Costs	1,574,394	2,160,611	21,964,000	-	25,699,005	-
<b>Total Operating Expenses</b>	<u>17,555,222</u>	<u>21,075,573</u>	<u>177,107,000</u>	<u>19,525,906</u>	<u>235,263,701</u>	<u>45,667,300</u>
<b>Operating Income</b>	<u>1,846,825</u>	<u>4,174,059</u>	<u>27,420,000</u>	<u>520,447</u>	<u>33,961,331</u>	<u>560,190</u>
<b>Nonoperating Revenues (Expenses)</b>						
Investment Earnings	1,256,533	2,587,058	4,468,000	1,022,188	9,333,779	1,038,248
Gain on Disposal of Capital Assets	-	-	-	(15,605)	(15,605)	115,684
Occupation Tax	-	-	-	2,195,132	2,195,132	-
Grants	141,346	-	-	-	141,346	154,628
Payments in Lieu of Taxes	-	-	(7,665,000)	-	(7,665,000)	-
Amortization of Deferred Charges	(33,217)	(70,033)	(660,000)	(51,555)	(814,805)	-
Interest Expense and Fiscal Charges	(642,414)	(2,399,383)	(24,530,000)	(1,095,123)	(28,666,920)	(6,625)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>722,248</u>	<u>117,642</u>	<u>(28,387,000)</u>	<u>2,055,037</u>	<u>(25,492,073)</u>	<u>1,301,935</u>
<b>Income (Loss) Before Contributions and Transfers</b>	<u>2,569,073</u>	<u>4,291,701</u>	<u>(967,000)</u>	<u>2,575,484</u>	<u>8,469,258</u>	<u>1,862,125</u>
<b>Capital Contributions</b>	<u>3,047,677</u>	<u>3,420,280</u>	<u>4,892,000</u>	<u>712,421</u>	<u>12,072,378</u>	<u>81,330</u>
Transfers In	-	-	-	529,049	529,049	436,737
Transfers Out	-	-	(1,385,000)	(1,610,155)	(2,995,155)	-
<b>Change in Net Assets</b>	<u>5,616,750</u>	<u>7,711,981</u>	<u>2,540,000</u>	<u>2,206,799</u>	<u>18,075,530</u>	<u>2,380,192</u>
<b>Net Assets - Beginning</b>	<u>175,256,581</u>	<u>225,223,368</u>	<u>197,867,000</u>	<u>49,840,829</u>	<u>648,187,778</u>	<u>21,613,194</u>
<b>Net Assets - Ending</b>	<u>\$ 180,873,331</u>	<u>232,935,349</u>	<u>200,407,000</u>	<u>52,047,628</u>	<u>666,263,308</u>	<u>23,993,386</u>

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

CITY OF LINCOLN, NEBRASKA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2007

	Business-Type Activities -- Enterprise Funds				Total	Governmental Activities -- Internal Service Funds
	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Other Enterprise Funds		
<b>Cash Flows from Operating Activities</b>						
Receipts from Customers and Users	\$ 19,091,648	23,946,047	209,610,000	19,583,834	272,231,529	11,644,581
Receipts from Interfund Services Provided	164,809	557,343	4,638,000	184,536	5,544,688	33,688,029
Payments to Suppliers for Goods and Services	(3,307,614)	(4,013,976)	(143,474,000)	(7,465,923)	(158,261,513)	(28,131,365)
Payments to Employees	(6,274,982)	(7,015,101)	(20,312,000)	(6,778,412)	(40,380,495)	(12,085,543)
Payments for Interfund Services Provided	(1,766,457)	(2,811,145)	(1,750,000)	(1,513,015)	(7,840,617)	(2,230,218)
Other Receipts	-	-	-	711,568	711,568	-
<b>Net Cash Provided by Operating Activities</b>	<b>7,907,404</b>	<b>10,663,168</b>	<b>48,712,000</b>	<b>4,722,588</b>	<b>72,005,160</b>	<b>2,885,484</b>
<b>Cash Flows from Noncapital Financing Activities</b>						
Occupation Tax	-	-	-	2,131,822	2,131,822	-
Payments in Lieu of Taxes	-	-	(7,107,000)	-	(7,107,000)	-
Transfers from Other Funds	-	-	-	529,049	529,049	436,737
Transfers to Other Funds	-	-	(1,299,000)	(1,610,155)	(2,909,155)	-
Advances from General Fund	-	-	-	496,766	496,766	963,171
Repayment of Advances from General Fund	-	-	-	(338,870)	(338,870)	-
Advances to Other Funds	(204,796)	-	-	-	(204,796)	-
Payments from Other Funds	-	1,307,388	-	427,456	1,734,844	236,882
Interest Paid	-	-	-	(74,878)	(74,878)	-
Federal Grant Revenue	141,346	-	-	-	141,346	251,394
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>(63,450)</b>	<b>1,307,388</b>	<b>(8,406,000)</b>	<b>1,561,190</b>	<b>(5,600,872)</b>	<b>1,888,184</b>
<b>Cash Flows from Capital and Related Financing Activities</b>						
Additions to Capital Assets	(17,144,983)	(11,116,135)	(74,990,000)	(4,410,326)	(107,661,444)	(2,582,243)
Proceeds from Sale of Capital Assets	-	-	-	102,524	102,524	265,491
Proceeds from Long-Term Debt	20,202,038	-	-	595,560	20,797,598	-
Net Cost of Retiring Plant	-	-	(290,000)	-	(290,000)	-
Capital Contributions	-	-	5,194,000	-	5,194,000	-
Principal Payments of Capital Lease	-	-	-	(377,070)	(377,070)	(56,954)
Principal Payments of Long-Term Debt	(2,005,000)	(5,340,000)	(11,050,000)	(1,740,000)	(20,135,000)	-
Interest and Fiscal Charges Paid	(427,372)	(2,610,005)	(29,640,000)	(1,012,629)	(33,690,006)	(6,784)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>624,683</b>	<b>(19,066,140)</b>	<b>(110,776,000)</b>	<b>(6,841,941)</b>	<b>(136,059,398)</b>	<b>(2,380,490)</b>
<b>Cash Flows from Investing Activities</b>						
Proceeds from Sale and Maturities of Investments	4,039,834	19,548,800	345,943,000	9,418,746	378,950,380	6,562,686
Purchases of Investments	(10,870,376)	(13,730,491)	(231,233,000)	(8,698,833)	(264,532,700)	(8,273,762)
Interest and Other Receipts	930,306	1,937,288	491,000	725,242	4,083,836	758,891
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>(5,900,236)</b>	<b>7,755,597</b>	<b>115,201,000</b>	<b>1,445,155</b>	<b>118,501,516</b>	<b>(952,185)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>2,568,401</b>	<b>660,013</b>	<b>44,731,000</b>	<b>886,992</b>	<b>48,846,406</b>	<b>1,440,993</b>
Cash and Cash Equivalents - Beginning	2,304,158	6,352,912	30,000	3,489,478	12,176,548	2,782,373
<b>Cash and Cash Equivalents - Ending</b>	<b>\$ 4,872,559</b>	<b>7,012,925</b>	<b>44,761,000</b>	<b>4,376,470</b>	<b>61,022,954</b>	<b>4,223,366</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>						
Operating Income	\$ 1,846,825	4,174,059	27,420,000	520,447	33,961,331	560,190
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation	6,092,258	6,724,437	28,665,000	3,399,897	44,881,592	2,464,483
Changes in Assets and Liabilities:						
Accounts Receivable and Unbilled Revenues	(139,590)	(737,442)	(2,422,000)	(304,760)	(3,603,792)	(362,390)
Due from Other Funds	-	-	-	5,102	5,102	(728,646)
Due from Other Governments	-	-	-	(1,537)	(1,537)	160,619
Inventories	57,968	37,817	(3,622,000)	(9,113)	(3,535,328)	(21,132)
Plant Operation Assets	-	-	(1,497,000)	-	(1,497,000)	-
Prepaid Expenses	-	-	747,000	18,348	765,348	34,096
Other Assets	-	-	(90,000)	-	(90,000)	-
Accounts Payable	(32,707)	(120,410)	(619,000)	(211,274)	(983,391)	(240,497)
Accrued Liabilities	30,035	445,303	-	16,216	491,554	206,782
Accrued Compensated Absences	52,615	139,404	-	10,057	202,076	332,784
Due to Other Funds	-	-	-	1,199	1,199	(380)
Due to Other Governments	-	-	-	16,989	16,989	(84)
Unearned Revenue	-	-	-	702,017	702,017	35,537
Claims	-	-	-	-	-	444,122
Deferred Credits and Other Liabilities	-	-	130,000	-	130,000	-
Accrued Landfill Closure/Postclosure Care Costs	-	-	-	559,000	559,000	-
Total Adjustments	6,060,579	6,489,109	21,292,000	4,202,141	38,043,829	2,325,294
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 7,907,404</b>	<b>10,663,168</b>	<b>48,712,000</b>	<b>4,722,588</b>	<b>72,005,160</b>	<b>2,885,484</b>
<b>Supplemental Disclosure of Noncash Investing, Capital, and Financing Activities:</b>						
Contribution of Capital Assets	\$ 2,547,514	1,870,475	-	712,421	5,130,410	81,330
Capital Asset Trade-Ins	-	-	-	44,678	44,678	30,510
Purchase of Capital Assets on Account	3,932,978	4,326,913	-	12,227	8,272,118	-
Change in Fair Value of Investments	222,970	630,439	2,544,000	245,710	3,643,119	228,530

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, 2007

	<u>Police &amp; Fire Pension Trust Fund</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 11,302,832	3,599,076
Investments:		
Pooled Investment Funds	1,171,758	-
U.S. Agency Obligations	4,973,954	2,829,592
Corporate Bonds	1,980,000	-
Municipal Bonds	1,058,499	-
Mutual Funds	157,222,042	-
Real Estate Limited Partnership	20,255,952	-
Other	607,550	-
Total Investments	<u>187,269,755</u>	<u>2,829,592</u>
Receivables:		
Contributions	455,335	-
Accrued Interest	909,104	40,620
Other	-	34,493
Due from Other Governments	209	-
Contractor Retainage	-	740,204
Total Assets	<u>199,937,235</u>	<u>7,243,985</u>
<b>LIABILITIES</b>		
Warrants Payable	-	1,803,986
Accounts Payable	137,049	173,048
Accrued Liabilities	2,416	-
Accrued Compensated Absences	13,822	-
Due to Other Governments	-	3,676,845
Due to Homeowners	-	39,952
Due to Contractors	-	1,248,107
Due to Joint Venture	-	184,121
Due to Bondholders	-	117,926
Total Liabilities	<u>153,287</u>	<u>7,243,985</u>
<b>NET ASSETS</b>		
Held in Trust for Pension Benefits and Other Purposes	\$ <u>199,783,948</u>	<u>-</u>

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

CITY OF LINCOLN, NEBRASKA  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE YEAR ENDED AUGUST 31, 2007

	Police & Fire Pension Trust Fund
<b>Additions:</b>	
<b>Contributions:</b>	
Employer	\$ 3,527,523
Employee	2,043,976
Total Contributions	5,571,499
 <b>Investment Earnings:</b>	
Interest	1,192,046
Dividends	2,645,110
Net Increase in Fair Value of Investments	20,917,245
Net Investment Earnings	24,754,401
Total Additions	30,325,900
 <b>Deductions:</b>	
Benefit Payments	8,515,087
Refunds of Contributions	956,618
Administrative Costs	328,612
Total Deductions	9,800,317
Change in Net Assets	20,525,583
Net Assets Held in Trust for Pension Benefits and Other Purposes - Beginning	179,258,365
Net Assets Held in Trust for Pension Benefits - and Other Purposes - Ending	\$ 199,783,948

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, 2007

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

FISCAL YEAR-END

All funds of the City, with the exception of Lincoln Electric System (LES), are reported as of and for the year ended August 31, 2007. 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, 2006. The amounts included in the City's 2007 financial statements for LES are amounts as of and for the year ended December 31, 2006.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2007

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 judgements are recorded only when payment is due.

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major enterprise funds:

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

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

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

Additionally, the City reports the following fund types:

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

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

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2007

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

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

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

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

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

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

#### ASSETS, LIABILITIES, AND NET ASSETS OR FUND EQUITY

##### Deposits and Investments

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

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

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

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
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market information of similar financial instruments. Income from investments held by the individual funds is recorded in the respective funds as it is earned.

Receivables and Payables

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

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

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

Inventories and Prepaid Items

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

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

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

Deferred Charges

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

Investment in Joint Venture

Investment in joint venture consists of the City's interest in the Joint Antelope Valley Authority (see Note 21), 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.

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2007

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

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

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

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

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

Compensated Absences

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

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

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

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

Termination Benefits

The City established a Temporary Retirement Incentive Program, offered February 1, 2007 until May 7, 2007, for the purpose of encouraging eligible employees considering an early leave decision to accelerate their retirement plans. Eligible employees included those age 55 with 20 years of service or age 62 and older. Forty-seven employees elected to voluntarily resign from City employment beginning September 1, 2007, but no later than November 30, 2007. As material inducement the City has agreed to contribute \$15,000 plus an amount equal to 15% of accrued sick leave balance at the time of retirement to the employee's Post Employment Health Plan account. Such amounts are in addition to any accrued sick leave otherwise payable upon retirement.

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2007

The City records a liability and expense at the government-wide level and in the proprietary funds upon election by the employees to participate in the Program. The liability at August 31, 2007 and expense in the 2007 government-wide financial statements approximated \$880,000. In the governmental fund financial statements, liability and expense are not recognized until employees actually terminate employment, therefore no governmental fund-level expense was recognized in fiscal 2007 for this Program.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt using the bonds-outstanding method.

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 \$22,485,375 of the General Fund's unreserved fund balance of \$27,215,934 meets the requirements of this policy, leaving an additional unreserved balance of \$4,730,559.

Net Assets Classification

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

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

*Restricted* – This component of net assets consists of restrictions placed on net assets use through external constraints imposed by creditors (such as debt covenants), 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 \$242,133,819 of restricted net assets, of which \$19,340,511 is restricted by enabling legislation.

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2007

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

**BUDGETARY DATA**

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

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

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

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

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

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

CITY OF LINCOLN, NEBRASKA  
Notes to the Financial Statements  
August 31, 2007

ENDOWMENTS

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

PRIOR-YEAR SUMMARIZED FINANCIAL INFORMATION

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's basic financial statements as of and for the year ended August 31, 2006, 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.

NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued its Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension*. Statement 45 establishes standards for the measurement, recognition, and display of other postemployment benefits expense and related liabilities or assets, note disclosures, and if applicable, required supplementary information. The City has begun analysis of OPEB and expects to complete it by the implementation deadline.

GASB has also issued its Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. Statement 49 addresses standards for pollution remediation obligations dealing with the current or potential detrimental effects of existing pollution by participation in pollution remediation activities such as site assessments and cleanups. The City will review these standards for possible application during the year ending August 31, 2009.

GASB has also issued its Statement 50, *Pension Disclosures*. Statement 50 aligns financial reporting requirements for pensions with those of other postemployment benefits. The City will review these standards in preparation for meeting the implementation deadline as established by the Statement.

(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 that "Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, not reported in the funds." The details of the \$181,927,506 difference are as follows:



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Bonds Payable	\$ 141,928,447
Less deferred charge for issuance costs	(1,304,055)
Less issuance discounts	(26,452)
Plus issuance premiums	2,728,016
Capital Leases Payable	22,625,260
Accrued Interest Payable	1,649,995
Net Pension Obligation	3,980,776
Compensated Absences	<u>10,345,519</u>
Net difference	<u>\$ 181,927,506</u>

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

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances – total governmental funds* and *change in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$19,497,770 difference are as follows:

Capital outlay	\$ 39,837,246
Depreciation expense	<u>(20,339,476)</u>
Net difference	<u>\$ 19,497,770</u>

Another element of that reconciliation states that “The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$(38,089,050) difference are as follows:

Debt issued or incurred:	
Issuance of general obligation stormwater drainage and flood management system bonds	\$ (8,295,000)
Issuance of general obligation highway allocation fund bonds	(27,000,000)
Issuance of tax allocation bonds	(3,793,428)
Issuance of certificates of participation	(5,500,000)
Deferred charge for issuance costs	416,384
Issuance discounts	5,255
Issuance premiums	(484,811)
Amortization of deferred items	(27,139)
Principal repayments	<u>6,589,689</u>
Net difference	<u>\$ (38,089,050)</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$(3,941,807) difference are as follows:

Loss on disposal of capital assets	\$ (764,030)
Termination benefits	(631,337)
Other expense	(107,481)
Accrued interest	(493,555)
Compensated absences	<u>(1,945,404)</u>
Net difference	<u>\$ (3,941,807)</u>

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(3) **RESTRICTED ASSETS**

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

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

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

A recap of restrictions and related balances at August 31, 2007 are as follows:

<u>Fund Account</u>	<u>Golf</u>	<u>Parking Facilities</u>	<u>Pershing Municipal Auditorium</u>	<u>Solid Waste Management</u>	<u>Lincoln Wastewater System</u>	<u>Lincoln Water System</u>	<u>Lincoln Electric System</u>	<u>Totals</u>
Principal and Interest	\$ -	200,092	-	-	-	-	14,287,000	14,487,092
Reserve	316,500	1,815,575	-	400,000	6,404,184	8,120,246	18,501,000	35,557,505
Depreciation and Replacement	100,000	682,850	-	-	-	-	-	782,850
Construction	-	-	-	1,248,342	18,283,407	26,185,342	26,074,000	71,791,991
Capital Improvements	50,669	11,223	8,900	-	-	-	-	70,792
Marketing	-	-	92,890	-	-	-	-	92,890
	\$ <u>467,169</u>	<u>2,709,740</u>	<u>101,790</u>	<u>1,648,342</u>	<u>24,687,591</u>	<u>34,305,588</u>	<u>58,862,000</u>	<u>122,782,220</u>

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

(4) **DEPOSITS AND INVESTMENTS**

**DEPOSITS**

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

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

At August 31, 2007, the City's cash deposits or certificates of deposit, in excess of the \$100,000 FDIC limits, are covered by collateral held in a Federal Reserve pledge account or by an agent for the City and thus no custodial credit risk exists.

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INVESTMENTS

At August 31, 2007, the City had the following investments, maturities and credit ratings:

Type	August 31, 2007					Credit Rating Moody / S&P
	Fair Value	Maturities in Years				
		Less than 1	1-5	6-10	More than 10	
<b>General City:</b>						
U.S. Treasury Obligations	\$ 45,068,016	24,715,000	20,353,016	-	-	N/A
U.S. Sponsored Agency Obligations	183,348,669	82,291,748	97,126,058	3,930,863	-	Aaa / AAA
Collateralized Repurchase Agreements	380,287	380,287	-	-	-	N/A
Collateralized Investment Agreements	1,120,000	-	-	1,120,000	-	Aaa / A
Collateralized Investment Agreements	3,139,981	-	-	-	3,139,981	Aaa/AAA
Collateralized Investment Agreements	4,930,000	-	-	-	4,930,000	Aa/AA
Money Market Mutual Funds - U.S. Treasury	1,739,119	1,739,119	-	-	-	N/A
Money Market Mutual Funds - U.S. Agencies	40,668,825	40,668,825	-	-	-	Aaa / AAA
Money Market Mutual Funds	60,669	60,669	-	-	-	Not Rated
Corporate Bonds	29,315	-	-	29,315	-	A / A
External Investment Trust	5,890,000	5,890,000	-	-	-	Not Rated
Tax Increment Financing Investments	1,908,447	-	-	614,598	1,293,849	Not Rated
<b>Total General City</b>	<u>288,283,328</u>	<u>155,745,648</u>	<u>117,479,074</u>	<u>5,694,776</u>	<u>9,363,830</u>	
<b>Community Health Endowment:</b>						
U.S. Treasury Obligations	3,847,207	737,734	998,072	1,394,140	717,261	Aaa / AAA
U.S. Sponsored Agency Obligations	1,739,957	74,883	978,580	113,060	573,434	Aaa / AAA
U.S. Sponsored Agency Obligations	5,258,208	-	9,246	124,519	5,124,443	Not rated
Money Market Mutual Funds	5,615,614	5,615,614	-	-	-	Not rated
Mortgage-backed Securities	1,032,844	-	51,136	-	981,708	Aaa / AAA
Corporate Bonds	1,056,069	117,879	437,854	322,458	177,878	A / A
Corporate Bonds	48,543	-	-	48,543	-	A / BBB
Corporate Bonds	264,312	-	152,385	111,927	-	Aa / A
Corporate Bonds	483,133	14,996	213,940	194,197	60,000	Aa / AA
Corporate Bonds	2,388,660	-	212,291	396,119	1,780,250	Aaa / AAA
Corporate Bonds	153,782	-	153,782	-	-	Baa / A
Corporate Bonds	1,216,867	-	434,840	482,813	299,214	Baa / BBB
Foreign Obligations	34,150	-	15,638	-	18,512	A / A
Foreign Obligations	161,665	-	-	161,665	-	Aaa / AAA
Foreign Obligations	50,530	-	38,842	11,688	-	Aaa / AAA
Foreign Obligations	45,596	-	21,071	-	24,525	Baa / BB
Mutual Funds - Fixed Income	26,104,636	26,104,636	-	-	-	Not rated
Securities Lending Collateral	4,749,143	4,749,143	-	-	-	Not rated
<b>Total Community Health Endowment:</b>	<u>54,250,916</u>	<u>37,414,885</u>	<u>3,717,677</u>	<u>3,361,129</u>	<u>9,757,225</u>	
<b>Police &amp; Fire Pension Trust:</b>						
U.S. Sponsored Agency Obligations	4,973,954	4,973,954	-	-	-	Aaa / AAA
Corporate Bonds	1,980,000	-	-	-	1,980,000	Not Rated/A
Tax Exempt Bonds	1,058,499	-	1,058,499	-	-	Not Rated
Money Market Mutual Funds	10,325,691	10,325,691	-	-	-	Not Rated
Mutual Funds - Fixed Income	27,395,973	27,395,973	-	-	-	Not Rated
	45,734,117	42,695,618	1,058,499	-	1,980,000	
Mutual Funds	130,433,619	-	-	-	-	
Real Estate Limited Partnerships	20,255,952	-	-	-	-	
<b>Total Police &amp; Fire Pension Trust</b>	<u>196,423,688</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
<b>Total Primary Government</b>	<u>\$ 538,957,932</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	

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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. None of the underlying securities for the City's investments at August 31, 2007 are subject to custodial credit risk, as they are held in an account in the City's name, and by an agent who is not the counterparty to the investment transactions.

*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 interest rate is guaranteed by the issuer. 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. The following investment types must be rated at the minimum rates noted below:

Money Markets	Aa / AA
Corporate Notes	Aa3 / AA-
Investment Agreements	Aa3 / AA-

The \$60,669 non-rated money market fund is held in the J.J. Hompes fund. The money market fund is comprised of highly rated securities. The external investment funds are held in the City's idle fund pool and is comprised of Nebraska Public Agency Investment Trust (NPAIT) and Short-Term Federal Investment Trust (STFIT). NPAIT and STFIT invest in only the highest quality securities, including U.S. government, rated U.S. sponsored agencies, and guaranteed student loans.

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

<u>Type</u>	<u>Portfolio Composition</u>	<u>Policy Limits on Issuer</u>
U.S. agency obligations:		
Federal Home Loan Bank	33.66 %	40.00 %
Federal Home Loan Mortgage Corporation	12.66	40.00
Federal National Mortgage Association	8.63	40.00
Federal Farm Credit Bank	8.66	40.00

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Community Health Endowment (CHE) Policy

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

*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. None of the underlying securities for CHE's investments at August 31, 2007 are subject to custodial credit risk, as they are held in an account in the City's name, and by an agent who is not the counterparty to the investment transactions.

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

*Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. It is CHE's policy to limit its investments in U.S. treasury and U.S. agency obligations to issues with at least Baa / BBB ratings. Short-term fixed income issues should have a minimum A-1 / P-1 rating. Investments in corporate debt, bank loan portfolios, and associated high yield fixed income mutual funds must have a minimum average credit rating of B-.

*Concentration of Credit Risk.* CHE limits the percentage of cost that may be invested in any one industry, company and issuer by an investment manager. The limits vary depending on the type of investment. Investments by an investment manager in any one company are limited to 5% of portfolio cost. Except for U.S. treasury and U.S. agency obligations, investments in any one issuer are also limited to 5% of portfolio cost. Industry limits are 25% of portfolio cost depending on the investment type. Investments in Distressed/Mezzanine corporate debt or related mutual funds should have a minimum diversification of at least twenty different company investments. At August 31, 2007, CHE's investment in Federal National Mortgage Association bonds constituted 6% of its total investments.

*Foreign Currency Risk.* This risk relates to adverse affects on the fair value of an investment from changes in exchange rates. CHE's investment policy states investments in developed country and corporate foreign debt may not exceed 25% of total investment portfolio. CHE had no investment denominated in foreign currency at August 31, 2007.

Police & Fire Pension Trust Policy

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

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

*Custodial Credit Risk.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, Police & Fire Pension Trust will not be able to recover the value of its investment securities that are in the possession of an outside party. None of the underlying securities for Police & Fire Pension Trust's investments at August 31, 2007 are subject to custodial credit risk, as they are held in an account in the City's name, and by an agent who is not the counterparty to the investment transactions.

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*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, 2007:

	<u>Totals</u>		
Investments	\$	538,957,932	
Deposits and Cash on Hand		<u>29,699,561</u>	
	\$	<u>568,657,493</u>	
		<u>Government-wide</u>	<u>Fiduciary Funds</u>
		<u>Statement of</u>	<u>Statement of</u>
		<u>Net Assets</u>	<u>Net Assets</u>
			<u>Totals</u>
Cash and Cash Equivalents	\$	65,786,030	14,901,908
Investments		134,086,181	190,099,347
Invested Securities Lending		4,749,143	-
Restricted Assets:			
Cash and Cash Equivalents		32,404,264	-
Investments		<u>126,630,620</u>	<u>-</u>
	\$	<u>363,656,238</u>	<u>205,001,255</u>
			<u>568,657,493</u>

The City invests in various investment securities that are exposed to various risks such as interest rate, market and credit risks as disclosed above. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could affect the fair value of the security portfolio. Management does not believe the changes have had a significant impact on the financial statements.

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.

Either CHE or the borrowers can terminate all securities loans on demand. Cash collateral is invested in one of the lending agent's short-term investment pools that had an average duration of 106 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.

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(5) RECEIVABLES

Receivables at August 31, 2007, consist of the following (in thousands):

Fund	Taxes	Accounts	Loans	Contributions	Special Assessment		Accrued Interest	Gross Receivables	Allowance For Uncollectibles	Net
					Current	Deferred				
General	\$ 4,003	795	-	-	-	-	118	4,916	-	4,916
Street Construction	-	86	-	-	-	-	263	349	-	349
Federal Grants	-	56	22,809	-	-	-	6	22,871	3,666	19,205
Wastewater System	-	3,344	-	-	-	-	327	3,671	-	3,671
Water System	-	6,263	-	-	-	-	358	6,621	-	6,621
Electric System	-	20,606	-	-	-	-	519	21,125	-	21,125
Nonmajor -										
Special Revenue	1,721	362	-	-	-	-	258	2,341	-	2,341
Debt Service	943	-	-	-	520	2,109	203	3,775	197	3,578
Capital Projects	-	74	-	-	-	-	241	315	-	315
Permanent	-	-	-	-	-	-	160	160	-	160
Enterprise	-	3,171	-	-	-	-	189	3,360	1,053	2,307
Internal Service	-	466	-	-	-	-	174	640	-	640
Fiduciary	-	34	-	455	-	-	950	1,439	-	1,439
	\$ 6,667	35,257	22,809	455	520	2,109	3,766	71,583	4,916	66,667

Enterprise funds customer accounts receivable include unbilled charges for services.

Delinquent special assessment receivables at August 31, 2007, were \$265,737.

(6) DUE FROM OTHER GOVERNMENTS

The total of Due From Other Governments of \$25,683,808 includes the following significant items:

<u>Fund/Fund Type</u>	<u>Amount</u>	<u>Service</u>
General/General	\$ 9,515,998	State of Nebraska, July/August Sales and Use Tax
	409,258	August Motor Vehicle Taxes Collected by Lancaster County
	16,439	Federal Government, Cost Reimbursements
	96,767	Lancaster County, Cost Reimbursements
Street Construction/Special Revenue	2,982,676	State of Nebraska, July/August Highway User Fees
	399,950	State of Nebraska, Cost Reimbursements
	7,570,394	Federal Government, Cost Reimbursements
Federal Grants/Special Revenue	2,650,280	Federal Government, Cost Reimbursements
Lincoln Area Agency on Aging/Special Revenue	30,040	Federal Government, Cost Reimbursements
Lincoln/Lancaster Co. Health/Special Revenue	442,728	Lancaster County, Cost Reimbursements
Snow Removal/Special Revenue	101,533	August Motor Vehicle Taxes Collected by Lancaster County
StarTran/Special Revenue	116,271	Federal Government, Cost Reimbursements
Antelope Valley/Tax Supported Bonds/Debt Service	166,667	State of Nebraska, July/August Development Fund Disbursements
Vehicle Tax/Capital Projects	893,885	August Motor Vehicle Taxes Collected by Lancaster County
Strom Sewer Construction/Capital Projects	103,928	Federal Government, Cost Reimbursements
Information Services/Internal Service	139,700	Lancaster County Billings
Copy Services/Internal Service	18,144	Lancaster County Billings
Subtotal	25,654,658	
All other	29,150	
Total Due From Other Governments	\$ 25,683,808	

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(7) CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2007, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental Activities:</b>				
<b>Capital Assets, not being Depreciated:</b>				
Land	\$ 57,733,188	3,477,751	82,560	61,128,379
Construction in Progress	103,953,098	24,983,750	39,293,661	89,643,187
<b>Total Capital Assets, not being Depreciated</b>	<b>161,686,286</b>	<b>28,461,501</b>	<b>39,376,221</b>	<b>150,771,566</b>
<b>Capital Assets, being Depreciated:</b>				
Buildings	73,921,877	1,087,022	10,194	74,998,705
Improvements Other Than Buildings	52,680,408	7,061,384	1,083,357	58,658,435
Machinery and Equipment	67,517,860	10,479,350	4,938,079	73,059,131
Infrastructure	391,230,456	41,498,530	2,068,759	430,660,227
<b>Total Capital Assets, being Depreciated</b>	<b>585,350,601</b>	<b>60,126,286</b>	<b>8,100,389</b>	<b>637,376,498</b>
<b>Less Accumulated Depreciation for:</b>				
Buildings	25,489,409	1,839,846	10,194	27,319,061
Improvements Other Than Buildings	20,147,078	1,696,391	216,373	21,627,096
Machinery and Equipment	35,992,979	6,406,049	4,653,477	37,745,551
Infrastructure	123,546,522	12,861,673	13,232	136,394,963
<b>Total Accumulated Depreciation</b>	<b>205,175,988</b>	<b>22,803,959</b>	<b>4,893,276</b>	<b>223,086,671</b>
<b>Total Capital Assets, being Depreciated, Net</b>	<b>380,174,613</b>	<b>37,322,327</b>	<b>3,207,113</b>	<b>414,289,827</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 541,860,899</b>	<b>65,783,828</b>	<b>42,583,334</b>	<b>565,061,393</b>
<b>Business-type Activities:</b>				
<b>Capital Assets, not being Depreciated:</b>				
Land	\$ 17,682,928	890,371	153	18,573,146
Construction in Progress	175,336,300	106,983,344	55,988,397	226,331,247
<b>Total Capital Assets, not being Depreciated</b>	<b>193,019,228</b>	<b>107,873,715</b>	<b>55,988,550</b>	<b>244,904,393</b>
<b>Capital Assets, being Depreciated:</b>				
Buildings	196,009,994	1,150,183	-	197,160,177
Improvements Other Than Buildings	438,948,427	30,730,959	194	469,679,192
Machinery and Equipment	22,805,943	2,408,584	971,307	24,243,220
Utility Plant	867,075,000	28,308,000	2,709,000	892,674,000
<b>Total Capital Assets, being Depreciated</b>	<b>1,524,839,364</b>	<b>62,597,726</b>	<b>3,680,501</b>	<b>1,583,756,589</b>
<b>Less Accumulated Depreciation for:</b>				
Buildings	57,124,202	4,438,142	-	61,562,344
Improvements Other Than Buildings	109,108,636	10,065,032	194	119,173,474
Machinery and Equipment	13,540,102	1,713,418	827,819	14,425,701
Utility Plant	311,560,000	28,665,000	2,709,000	337,516,000
<b>Total Accumulated Depreciation</b>	<b>491,332,940</b>	<b>44,881,592</b>	<b>3,537,013</b>	<b>532,677,519</b>
<b>Total Capital Assets, being Depreciated, Net</b>	<b>1,033,506,424</b>	<b>17,716,134</b>	<b>143,488</b>	<b>1,051,079,070</b>
<b>Business-type Activities Capital Assets, Net</b>	<b>\$ 1,226,525,652</b>	<b>125,589,849</b>	<b>56,132,038</b>	<b>1,295,983,463</b>



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Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General Government	\$ 1,014,223
Public Safety	1,848,391
Streets and Highways, including Infrastructure	12,322,015
Culture and Recreation	3,420,429
Economic Opportunity	64,104
Health and Welfare	248,951
Mass Transit	1,421,363
Internal Service Funds Capital Assets	
Depreciation is charged to the various functions based on usage of the assets.	<u>2,464,483</u>
Total Depreciation Expense - Governmental	<u>\$ 22,803,959</u>
Business-type Activities:	
Parking Lots	\$ 28,573
Golf	599,870
Parking Facilities	1,047,176
Pershing Municipal Auditorium	75,933
Solid Waste Management	1,486,664
Emergency Medical Services	161,681
Wastewater System	6,092,258
Water System	6,724,437
Lincoln Electric System	<u>28,665,000</u>
Total Depreciation Expense - Business-type	<u>\$ 44,881,592</u>

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Lincoln Wastewater System:</b>				
Capital Assets, not being Depreciated:				
Land	\$ 2,861,569	323,228	-	3,184,797
Construction in Progress	<u>34,995,029</u>	<u>15,949,354</u>	<u>11,839,867</u>	<u>39,104,516</u>
Total Capital Assets, not being Depreciated	<u>37,856,598</u>	<u>16,272,582</u>	<u>11,839,867</u>	<u>42,289,313</u>
Capital Assets, being Depreciated:				
Buildings	51,969,327	817,882	-	52,787,209
Improvements Other Than Buildings	193,165,147	13,257,242	-	206,422,389
Machinery and Equipment	<u>7,329,068</u>	<u>574,092</u>	<u>38,789</u>	<u>7,864,371</u>
Total Capital Assets, being Depreciated	<u>252,463,542</u>	<u>14,649,216</u>	<u>38,789</u>	<u>267,073,969</u>
Less Accumulated Depreciation for:				
Buildings	15,993,881	1,214,877	-	17,208,758
Improvements Other Than Buildings	45,137,731	4,396,800	-	49,534,531
Machinery and Equipment	<u>3,109,934</u>	<u>480,581</u>	<u>25,570</u>	<u>3,564,945</u>
Total Accumulated Depreciation	<u>64,241,546</u>	<u>6,092,258</u>	<u>25,570</u>	<u>70,308,234</u>
Total Capital Assets, being Depreciated, Net	<u>188,221,996</u>	<u>8,556,958</u>	<u>13,219</u>	<u>196,765,735</u>
Wastewater System Capital Assets, Net	<u>\$ 226,078,594</u>	<u>24,829,540</u>	<u>11,853,086</u>	<u>239,055,048</u>

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	Beginning Balances	Increases	Decreases	Ending Balances
<b>Lincoln Water System:</b>				
Capital Assets, not being Depreciated:				
Land	\$ 4,712,330	-	153	4,712,177
Construction in Progress	4,573,634	15,152,747	11,782,079	7,944,302
<b>Total Capital Assets, not being Depreciated</b>	<b>9,285,964</b>	<b>15,152,747</b>	<b>11,782,232</b>	<b>12,656,479</b>
-----				
Capital Assets, being Depreciated:				
Buildings	94,771,662	332,301	-	95,103,963
Improvements Other Than Buildings	219,401,356	13,389,597	194	232,790,759
Machinery and Equipment	5,521,580	388,906	265,800	5,644,686
<b>Total Capital Assets, being Depreciated</b>	<b>319,694,598</b>	<b>14,110,804</b>	<b>265,994</b>	<b>333,539,408</b>
Less Accumulated Depreciation for:				
Buildings	23,242,487	2,133,162	-	25,375,649
Improvements Other Than Buildings	51,961,568	4,184,275	194	56,145,649
Machinery and Equipment	3,750,739	407,000	261,440	3,896,299
<b>Total Accumulated Depreciation</b>	<b>78,954,794</b>	<b>6,724,437</b>	<b>261,634</b>	<b>85,417,597</b>
<b>Total Capital Assets, being Depreciated, Net</b>	<b>240,739,804</b>	<b>7,386,367</b>	<b>4,360</b>	<b>248,121,811</b>
<b>Water System Capital Assets, Net</b>	<b>\$ 250,025,768</b>	<b>22,539,114</b>	<b>11,786,592</b>	<b>260,778,290</b>

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Lincoln Electric System:</b>				
Capital Assets, not being Depreciated:				
Construction in Progress	\$ 132,770,000	74,708,000	28,308,000	179,170,000
Capital Assets, being Depreciated:				
Utility Plant	867,075,000	28,308,000	2,709,000	892,674,000
Less Accumulated Depreciation	311,560,000	28,665,000	2,709,000	337,516,000
<b>Total Capital Assets, being Depreciated, Net</b>	<b>555,515,000</b>	<b>(357,000)</b>	<b>-</b>	<b>555,158,000</b>
<b>Electric System Capital Assets, Net</b>	<b>\$ 688,285,000</b>	<b>74,351,000</b>	<b>28,308,000</b>	<b>734,328,000</b>

During 2007, Lincoln Wastewater System incurred \$3,297,828 of interest cost, of which \$2,665,414 was capitalized into construction in progress. Lincoln Water System incurred \$3,473,462 of interest cost, of which \$1,001,995 was capitalized into construction in progress. Capitalized interest is added to the cost of the underlying assets and is amortized over the useful lives of the assets.

Lincoln Electric System utility plant includes an allowance for funds used during construction of projects costing in excess of \$2 million. The allowance for funds used during construction consists of the plant balance times the weighted-average interest rate on debt based on Federal Energy Regulatory Commission accounting method. The weighted-average rate for 2006 was 4.8%.

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(8) INTERFUND BALANCES AND ACTIVITY

Balances Due To/From Other Funds at August 31, 2007, consist of the following:

	General Fund	Street Construction	Federal Grants	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	Total
General Fund	\$ -	-	293,507	25,506	2,225,236	963,231	3,507,480
Street Construction	2,217,847	-	-	8,291,278	-	-	10,509,125
Nonmajor Governmental	4,493,324	-	5,331	1,491,224	-	-	5,989,879
Lincoln Wastewater System	1,418,049	-	-	687,874	-	-	2,105,923
Lincoln Water System	2,039,588	-	-	2,203,158	-	-	4,242,746
Nonmajor Enterprise	1,026,517	5,924	-	-	-	-	1,032,441
Internal Service	1,571,733	159	814,641	21,039	5,401	34,267	2,447,240
	<u>\$ 12,767,058</u>	<u>6,083</u>	<u>1,113,479</u>	<u>12,720,079</u>	<u>2,230,637</u>	<u>997,498</u>	<u>29,834,834</u>

"Due to" and "Due from" balances are recorded when funds overdraw their share of pooled cash. The total due to the General Fund includes \$1,830,739 from the Emergency Medical Services Enterprise Fund for an advance made for cash flow needs; none of this amount is expected to be repaid within one year. 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, 2007, consist of the following:

	General Fund	Street Construction	Federal Grants	Nonmajor Governmental	Lincoln Electric System	Nonmajor Enterprise	Total
General Fund	\$ -	-	-	1,080,838	1,385,000	839,500	3,305,338
Street Construction	2,587,290	-	-	8,324,323	-	-	10,911,613
Federal Grants	507,520	-	-	9,329	-	-	516,849
Nonmajor Governmental	17,647,500	4,283,994	556	5,236,167	-	770,655	27,938,872
Nonmajor Enterprise	525,000	-	-	4,049	-	-	529,049
Internal Service	70,355	366,382	-	-	-	-	436,737
Total	<u>\$ 21,337,665</u>	<u>4,650,376</u>	<u>556</u>	<u>14,654,706</u>	<u>1,385,000</u>	<u>1,610,155</u>	<u>43,638,458</u>

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

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(9) LONG-TERM DEBT

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

Net assets of \$4,766,048, \$3,883,753, and \$5,327,078, are currently available in the debt service funds to service the General Obligation Bonds, Tax Supported Bonds, and Tax Allocation Bonds, respectively. Revenue Bonds are funded partially from reserve accounts set up for debt repayment and partially from proceeds of daily operations.

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

	Governmental Activities	Business-Type Activities
Land	\$ 515,750	\$ 210,000
Buildings	11,914,750	-
Improvements	219,925	-
Infrastructure	6,972,510	-
Machinery and Equipment	1,838,042	3,113,553
Less Accumulated Depreciation, (where applicable)	(1,907,191)	(1,743,574)
<b>Total</b>	<b>\$ 19,553,786</b>	<b>\$ 1,579,979</b>

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, 2006, 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, 2006, was 3.4 percent. The annual requirement to pay interest on this outstanding debt is approximately \$3 million. The outstanding commercial paper notes are secured by a revolving credit agreement which provides for borrowings up to \$150 million. LES pays a commitment fee for the credit agreement. Under the terms of the agreement, LES can either settle or refinance the commercial paper upon maturity. LES uses these vehicles as part of their long-term financing strategy. As such, commercial paper is renewed as it matures. The average length of maturity of commercial paper for 2006 was 114 days.

	Beginning Balance	Additions	Reductions	Ending Balance
Lincoln Electric System: Commercial Paper Notes	\$ 90,000	521,850	(521,850)	90,000

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

Original Amount	Issued	Issue	Interest Rate	When Due	Date Callable	Interest Date	Outstanding
<b>Governmental Activities:</b>							
<b>General Obligation Bonds:</b>							
<b>General Bonds:</b>							
14,435	03/01/99	Various Purpose Series A	3.000 - 4.600	Serial 2000 to 2014	2009	Semiannually	\$ 7,840
7,365	03/01/99	Various Purpose Series A	4.750	Term 2019	2009	"	7,365
8,220	03/01/99	Various Purpose Series B	3.000 - 4.250	Serial 1999 to 2011	2007	"	2,465
6,350	05/29/02	Storm Sewer and Drainage	3.000 - 5.000	Serial 2004 to 2020	2010	"	5,533
1,150	05/29/02	Storm Sewer and Drainage	5.00	Term 2022	2010	"	1,150
15,595	07/03/03	Various Purpose	2.625 - 3.750	Serial 2004 to 2017	2013	"	9,680
3,710	07/03/03	Various Purpose	4.000 / 4.125	Term 2020 & 2023	2013	"	3,710
6,535	06/01/05	Storm Sewer Refunding	2.500 - 4.375	Serial 2005 to 2017	2011	"	5,753
9,950	06/15/05	Storm Sewer Construction	3.250 - 4.250	Serial 2006 to 2025	2015	"	9,225
8,295	06/27/07	Stormwater Drainage and Flood Mgmt	4.625 - 5.000	Serial 2008 to 2027	2017	"	8,295
<b>Total General Bonds</b>							<b>\$ 61,020</b>
<b>Tax Allocation Bonds:</b>							
1,035	04/21/04	Tax Allocation Bonds	2.000 - 3.200	Serial 2004 to 2011	2008	Semiannually	670
5,500	04/21/04	Tax Allocation Bonds	3.000 - 4.800	Serial 2004 to 2015	2010	"	4,530
365	08/15/05	Tax Allocation Bonds	4.750	Serial 2006 to 2018	Anytime	"	320
245	10/01/06	Tax Allocation Bonds	5.100	Serial 2008 to 2015	Anytime	"	245
2,205	04/05/07	Tax Allocation Bonds	5.000 - 5.550	Serial 2009 to 2018	2012	"	2,205
585	06/01/07	Tax Allocation Bonds	5.240	Serial 2008 to 2018	Anytime	"	586
388	06/01/07	Tax Allocation Bonds	5.240	Serial 2007 to 2020	Anytime	"	388
369	06/15/07	Tax Allocation Bonds	5.400	Serial 2007 to 2014	Anytime	"	369
<b>Total Tax Allocation Bonds</b>							<b>\$ 9,313</b>
<b>Tax Supported Bonds:</b>							
3,200	06/13/00	Municipal Infrastructure Redevelopment	4.750 - 5.100	Serial 2001 to 2009	2005	Semiannually	\$ 1,080
35,000	03/17/04	Highway Allocation Fund	2.000 - 5.000	Serial 2007 to 2025	2014	"	35,000
27,000	12/05/06	Highway Allocation Fund	4.000 - 5.000	Serial 2008 to 2027	2016	"	27,000
<b>Total Tax-Supported Bonds</b>							<b>\$ 63,080</b>
<b>TOTAL GENERAL OBLIGATION BONDS</b>							<b>\$ 133,413</b>
<b>Tax Supported Bonds:</b>							
11,080	3/13/02	Antelope Valley Project	1.500 - 5.000	Serial 2002 to 2016	2012	Semiannually	\$ 8,513
<b>Business-Type Activities:</b>							
<b>Revenue Bonds:</b>							
39,235	07/31/03	Wastewater Revenue	2.000 - 5.000	Serial 2004 to 2023	2013	Semiannually	\$ 32,920
15,765	07/31/03	Wastewater Revenue	4.625 / 5.000	Term 2025 & 2028	2013	"	15,765
18,000	08/03/05	Wastewater Revenue	4.000 - 5.000	Serial 2006 to 2030	2015	"	16,995
16,710	04/18/07	Wastewater Revenue	4.000 - 4.500	Serial 2008 to 2029	2017	"	16,710
3,750	04/18/07	Wastewater Revenue	4.375	Term 2032	2017	"	3,750
<b>Total Wastewater Bonds</b>							<b>\$ 86,140</b>
11,850	11/22/02	Water Revenue	2.750 - 5.000	Serial 2005 to 2017	2012	Semiannually	\$ 9,580
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	-	"	18,795
40,000	11/16/04	Water Revenue	3.000 - 5.000	Serial 2005 to 2025	2014	"	37,175
<b>Total Water Bonds</b>							<b>\$ 72,310</b>
6,815	09/03/99	Parking Revenue Series A	4.000 - 5.000	Serial 2000 to 2009	2009	Semiannually	\$ 2,170
6,695	09/08/99	Parking Revenue Series A	5.375	Term 2014	2009	"	6,695
4,360	12/18/01	Parking Revenue	3.750 - 5.000	Serial 2002 to 2017	2011	"	2,970
1,640	12/18/01	Parking Revenue	5.125	Term 2021	2011	"	1,640
<b>Total Parking Bonds</b>							<b>\$ 13,475</b>
3,165	11/27/01	Golf Course Revenue Refunding	2.300 - 4.050	Serial 2002 to 2011	2008	Semiannually	\$ 1,375
4,000	08/17/06	Solid Waste Management Revenue	4.000 - 4.250	Serial 2007 to 2021	2013	Semiannually	\$ 3,815
45,560	02/15/98	Electric Revenue Bonds Series A	4.500 - 5.000	Serial 2098 to 2018	2008	Semiannually	\$ 31,075
141,150	08/15/01	Electric Revenue Bonds	4.000 - 5.250	Serial 2006 to 2020	2011	"	140,150
148,190	10/01/02	Electric Revenue Bonds	4.000 - 5.000	Serial 2004 to 2025	2012	"	122,945
93,045	10/01/03	Electric Revenue Bonds	3.000 - 5.000	Serial 2004 to 2026	2014	"	90,195
33,265	10/01/03	Electric Revenue 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
<b>Total Electric Bonds</b>							<b>\$ 532,630</b>
<b>TOTAL REVENUE BONDS</b>							<b>\$ 709,645</b>

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

Fiscal Year Ended August 31	Governmental Activities					
	General Obligation Bonds		Tax-Supported Bonds		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 6,210	5,611	615	372	1,718	883
2009	7,376	5,401	635	350	1,749	842
2010	6,740	5,120	660	326	1,723	784
2011	7,223	4,851	685	299	1,727	725
2012	7,883	4,543	710	271	1,797	663
2013 - 2017	40,918	17,476	5,210	773	8,357	2,276
2018 - 2022	36,018	8,743	-	-	3,206	1,043
2023 - 2027	21,045	2,008	-	-	2,515	368
	<u>\$ 133,413</u>	<u>53,753</u>	<u>8,515</u>	<u>2,391</u>	<u>22,792</u>	<u>7,584</u>

Fiscal Year Ended August 31	Business-Type Activities			
	Revenue Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2008	\$ 24,220	34,490	444	33
2009	25,390	33,294	140	20
2010	26,510	32,150	146	13
2011	29,275	30,910	127	7
2012	27,365	29,572	65	1
2013 - 2017	148,385	127,774	-	-
2018 - 2022	163,860	87,112	-	-
2023 - 2027	103,690	54,016	-	-
2028 - 2032	90,880	29,569	-	-
2033 - 2037	70,070	8,548	-	-
	<u>\$ 709,645</u>	<u>467,435</u>	<u>922</u>	<u>74</u>

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

Fiscal Year Ended August 31	Major Enterprise Funds					
	Wastewater System		Water System		Electric System	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 2,415	4,031	5,555	3,376	14,430	26,186
2009	2,620	3,820	5,795	3,128	15,085	25,531
2010	2,695	3,731	6,050	2,874	15,780	24,817
2011	2,785	3,607	6,310	2,603	18,095	24,069
2012	2,880	3,504	5,380	2,315	17,295	23,223
2013 - 2017	16,055	15,536	15,375	8,875	111,090	101,968
2018 - 2022	19,585	11,492	18,950	4,746	122,115	70,465
2023 - 2027	24,420	6,470	8,795	803	70,475	46,742
2028 - 2032	12,685	1,282	-	-	78,195	28,287
2033 - 2037	-	-	-	-	70,070	8,548
	<u>\$ 86,140</u>	<u>53,473</u>	<u>72,210</u>	<u>28,720</u>	<u>532,630</u>	<u>379,836</u>

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Long-term liability activity for the year ended August 31, 2007, was as follows (in thousands of dollars):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
<b>Bonds and Leases Payable:</b>					
General Bonds	\$ 56,665	8,295	(3,940)	61,020	4,260
Tax Allocation Bonds	6,247	3,793	(727)	9,313	620
Tax Supported Bonds	36,435	27,000	(355)	63,080	1,330
Tax Supported Antelope Valley					
Project Bonds	9,110	-	(595)	8,515	615
Capital Leases	18,321	5,500	(1,029)	22,792	1,718
Gross Bonds and Leases Payable	126,778	44,588	(6,646)	164,720	8,543
Deferred Amounts:					
For Issuance Premiums	2,271	485	(28)	2,728	-
For Issuance Discounts	(23)	(5)	2	(26)	-
Net Bonds and Leases Payable	129,026	45,068	(6,672)	167,422	8,543
<b>Other Liabilities:</b>					
Compensated Absences	9,353	8,185	(5,907)	11,631	6,374
Claims and Judgements	5,911	16,206	(15,762)	6,355	4,052
Net Pension Obligation	3,570	411	-	3,981	-
<b>Governmental Activity Long-Term Liabilities</b>	<b>\$ 147,860</b>	<b>69,870</b>	<b>(28,341)</b>	<b>189,389</b>	<b>18,969</b>
<b>Business-Type Activities:</b>					
<b>Bonds, Notes and Leases Payable:</b>					
Wastewater Revenue Bonds	\$ 67,685	20,460	(2,005)	86,140	2,415
Water Revenue Bonds	77,550	-	(5,340)	72,210	5,555
Parking Revenue Bonds	14,715	-	(1,240)	13,475	1,305
Golf Course Revenue Bonds	1,690	-	(315)	1,375	325
Solid Waste Management Revenue Bonds	4,000	-	(185)	3,815	190
Electric System Revenue Bonds	543,680	-	(11,050)	532,630	14,430
Capital Leases	704	595	(377)	922	444
Gross Bonds, Notes and Leases Payable	710,024	21,055	(20,512)	710,567	24,664
Deferred Amounts:					
For Issuance Premiums	20,743	-	(2,441)	18,302	-
For Issuance Discounts	(17,628)	(12)	1,775	(15,865)	-
For Refunding	(3,292)	-	386	(2,906)	-
Net Bonds, Notes and Leases Payable	709,847	21,043	(20,792)	710,098	24,664
<b>Other Liabilities:</b>					
Compensated Absences	1,272	1,021	(819)	1,474	892
Accrued Landfill Closure/Postclosure Care Costs	8,391	737	(178)	8,950	-
<b>Business-Type Activity Long-Term Liabilities</b>	<b>\$ 719,510</b>	<b>22,801</b>	<b>(21,789)</b>	<b>720,522</b>	<b>25,556</b>

Internal Service funds predominantly serve the governmental funds. Therefore, their long-term liabilities are included with the governmental activities above. Compensated absences for governmental activities are generally liquidated in the General Fund as well as various other Special Revenue and Internal Service funds where personal costs are incurred. The claims and judgements liability will generally be liquidated through the City's Insurance Revolving Internal Service Fund, which will finance the payment of those claims by charging other funds based on management's assessment of the relative insurance risk that should be assumed by individual funds. 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.

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Long-term liability activity for the major enterprise funds for the year ended August 31, 2007, was as follows (in thousands of dollars):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Lincoln Wastewater System:</b>					
<b>Bonds Payable:</b>					
Wastewater Revenue Bonds	67,685	20,460	(2,005)	86,140	2,415
Deferred For Issuance Premiums	2,075	-	(93)	1,982	-
Deferred For Issuance Discounts	-	(12)	-	(12)	-
Net Bonds Payable	69,760	20,448	(2,098)	88,110	2,415
<b>Other Liabilities:</b>					
Compensated Absences	433	331	(278)	486	299
Total Long-Term Liabilities	\$ 70,193	20,779	(2,376)	88,596	2,714
<b>Lincoln Water System:</b>					
<b>Bonds Payable:</b>					
Water Revenue Bonds	\$ 77,550	-	(5,340)	72,210	5,555
Deferred for Issuance Premiums	3,189	-	(336)	2,853	-
Deferred for Refunding	(809)	-	136	(673)	-
Net Bonds Payable	79,930	-	(5,540)	74,390	5,555
<b>Other Liabilities:</b>					
Compensated Absences	550	446	(306)	690	350
Total Long-Term Liabilities	\$ 80,480	446	(5,846)	75,080	5,905
<b>Lincoln Electric System:</b>					
<b>Bonds and Notes Payable:</b>					
Electric System Revenue Bonds	\$ 543,680	-	(11,050)	532,630	14,430
Deferred for Issuance Premiums	15,466	-	(2,011)	13,455	-
Deferred for Issuance Discounts	(17,628)	-	1,775	(15,853)	-
Deferred for Refunding	(2,457)	-	245	(2,212)	-
Total Long-Term Liabilities	\$ 539,061	-	(11,041)	528,020	14,430

**(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, 2007, which discloses the nature and amount of the adjustments necessary to convert the actual GAAP data to the budgetary basis, is presented below:

	General Fund	Street Construction Fund	Federal Grants Fund
<b>Net Change in Fund Balances:</b>			
Balance on a GAAP basis	\$ 1,120,666	28,853,406	982,715
Basis differences (accruals) occur because the cash basis of accounting used for budgeting differs from the modified accrual basis of accounting prescribed for governmental funds.	1,739,128	1,635,684	(689,778)
Entity differences occur when the budget excludes programs or entities that fall within the financial reporting entity as defined by GAAP.	-	15,313,743	-
Balance on a budget basis	\$ 2,859,794	45,802,833	292,937



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(11) DEFICIT NET ASSETS

The following funds had a net asset or fund balance deficit as of August 31, 2007:

Special Revenue - Impact Fees Fund	\$	(7,080)
Enterprise - Emergency Medical Services Fund		(1,060,448)
Internal Service - Engineering Revolving Fund		(815,701)

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

The Emergency Medical Services Fund has reversed the operating losses that had occurred in the three prior fiscal years. This was accomplished by increasing revenues with new rate schedules and decreasing operating expenses.

The Engineering Revolving Fund has incurred losses during the past four years. The City will be evaluating various means to reducing expenses and improving revenue collections affected by staffing levels, overhead costs, and billing practices.

(12) EXCESSES OF EXPENDITURES OVER APPROPRIATIONS

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

General Fund		
Urban Development	\$	6,789
Street Maintenance		107,554
Street Lighting		2,390,947

(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

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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, 2007, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	370
Terminated plan members entitled to but not yet receiving benefits	28
Active plan members (non-DROP)	531
DROP members	<u>47</u>
Total	<u>976</u>
 Number of participating employers	 <u>1</u>

**Funding Policy** - The contribution requirements of plan members and the City are established by City Ordinance #15728 dated September 24, 1990, and may be amended by the City Council. Plan members are required to contribute between 7% and 8% of their annual covered salary based on an election made by the employee. The City is required to contribute at an actuarially determined rate; the rate for fiscal year 2007 was 13.08% of annual covered payroll. Actual contributions by the City were 11.4% of annual covered payroll. Administrative costs of PFDP are financed through investment earnings.

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

(Dollar amounts in thousands)

Annual required contribution	\$ 4,056
Interest on net pension obligation	268
Adjustment to annual required contribution	<u>(419)</u>
Annual pension cost	3,905
Contributions made	<u>3,494</u>
Increase in net pension obligation	411
Net pension obligation beginning	<u>3,570</u>
Net pension obligation ending	<u>\$ 3,981</u>

The annual required contribution for the current year was determined as part of the August 31, 2005, 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 4.5 to 8.5% per year, including wage inflation at 4.5%, and (c) the assumption that benefits will not increase after retirement. The actuarial value of assets was determined using a four year smoothed market method. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis over a period of ten years.

Three-Year Trend Information  
(Dollar Amounts in Thousands)

Year Ended <u>August 31</u>	Annual Pension Cost (APC)	Annual Pension Contribution	Percentage of APC Contributed	Net Pension Obligation
2007	\$ 3,905	\$ 3,494	89 %	\$ 3,981
2006	3,972	2,893	73	3,570
2005	3,623	2,562	71	2,491

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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. This plan and related contribution requirements were authorized by the administrative board of directors. Vesting of LES contributions occurs over a five-year period. Employee forfeitures are used to reduce employer contributions. Vested benefits are fully funded. LES incurred contribution expense of approximately \$2,952,000 (9.59% of covered payroll) and its employees contributed approximately \$1,891,000 (6.14% 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, 2006, was \$1,505,823. City contributions totaled \$176,047 or 11.7% of covered payroll.

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, 2006, total payroll was approximately \$70,844,000 and covered payroll was approximately \$60,517,000. City contributions totaled \$6,714,670 or 11.1% of covered payroll and employee contributions totaled \$3,537,784 or 5.8% of covered payroll. Employees made \$97,625 in voluntary contributions for the year ended December 31, 2006.

(14) 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 2006 tax levy, for the 2006-2007 fiscal year, was \$64,793,826 below the legal limit, with a tax rate per \$100 valuation of \$0.28337. The assessed value upon which the 2006 levy was based was \$15,342,163,788.

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

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property on January 1st following the levy date and become delinquent in two equal installments on April 1st and August 1st. Personal property taxes are due December 31st and become delinquent on April 1st and August 1st following the levy date. Delinquent taxes bear 14% interest.

Property taxes levied for 2006-2007 are recorded as revenue in the Fund Financial Statements when expected to be collected within 60 days after August 31, 2007. 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.

(15) RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees and the public; or acts of God. For the year ended August 31, 2007, the City had a self-insured retention for workers' compensation exposures up to \$500,000 per individual; building and contents property exposures up to \$50,000 per occurrence; law enforcement liability exposures up to \$350,000 per occurrence; general liability exposures up to \$250,000 per occurrence; public officials exposures up to \$250,000 per occurrence; public transportation liability exposures up to \$250,000 per occurrence; auto liability exposures up to \$250,000, health benefits (beginning November, 2006), and employee long-term disability benefits, all of which are covered under the Insurance Revolving Fund which is included in the internal service funds. The self-insurance programs are administered through the Risk Management Division.

Workers' compensation was covered by a policy that provided statutory limits above the City's retention of \$500,000 per individual. Law enforcement liability was covered by a policy that provided limits of \$5 million per occurrence and \$6 million in annual aggregate. General liability was covered by a policy that provided limits of \$5 million per occurrence and \$6 million in annual aggregate. Public officials liability was covered by a policy that provided limits of \$5 million per occurrence and \$5 million in annual aggregate. Public transportation liability was covered by a policy that provided a limit of \$5 million. Auto liability was covered by a policy which provided a limit of \$5 million. Health had excess loss indemnity coverage above \$150,000 per claim and above 100% of the plan aggregate. The Nebraska Political Tort Claims Act limits the City's liability for tort claims to \$1 million per individual and \$5 million per occurrence. Settled claims have not exceeded coverage in any of the past three fiscal years.

The City had no significant insurance recoveries in the current year.

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 \$6,355,506 were recorded at August 31, 2007. Excluding health care claims approximating \$1,391,000, 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

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expenses regardless of their allocation to specific claims. These liabilities have been discounted using a 4.37% discount rate and a claim payment pattern based on the historical data of the City. The City has purchased no annuity contracts in the current fiscal year to resolve City of Lincoln claims.

The following is a summary of the changes in the estimated claims liability for the years ended August 31, 2007 and 2006:

<u>2007</u>	Worker's Compensation and Others	Long-Term Disability	Health	Total
Balance at September 1	\$ 5,130,000	781,384	-	5,911,384
Current year claims and changes in estimates	3,002,000	(90,437)	13,294,165	16,205,728
Claims payments	<u>(3,773,000)</u>	<u>(85,438)</u>	<u>(11,903,168)</u>	<u>(15,761,606)</u>
Balance at August 31	<u>\$ 4,359,000</u>	<u>605,509</u>	<u>1,390,997</u>	<u>6,355,506</u>

<u>2006</u>	Worker's Compensation and Others	Long-Term Disability	Health	Total
Balance at September 1	\$ 4,407,000	719,431	-	5,126,431
Current year claims and changes in estimates	3,544,000	147,887	-	3,691,887
Claims payments	<u>(2,821,000)</u>	<u>(85,934)</u>	<u>-</u>	<u>(2,906,934)</u>
Balance at August 31	<u>\$ 5,130,000</u>	<u>781,384</u>	<u>-</u>	<u>5,911,384</u>

**(16) 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, 2007, approximately 98% of the full-time, regular City's employees are represented by a Union. The existing union contracts will expire either in August 2008 or August 2009.

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

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

The City of Lincoln owns a solid waste disposal area which discontinued operations in 1990, but still requires certain closure and postclosure care, including the construction of final cover, 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 on a quarterly basis from impact fee collections within the development area. These agreements estimate construction costs and impact fee revenue based on the final plat at the time of acceptance of the agreement. As of August 31, 2007, the City's commitment to developers is estimated to be \$26,300,000.

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STREET CONSTRUCTION PROJECTS

The City's Street Construction Capital Projects Fund has commitments under major construction contracts in progress of approximately \$23,000,000 as of August 31, 2007, 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 \$10,500,000 at August 31, 2007.

LINCOLN WATER SYSTEM

The Lincoln Water System has commitments under major construction contracts in progress of approximately \$9,166,000 as of August 31, 2007.

LINCOLN ELECTRIC SYSTEM (LES)

An agreement signed in May 2002 provides for LES joint ownership in the Council Bluffs No. 4 coal-fired unit located south of Council Bluffs, Iowa, for 100 megawatts of generating capacity. The plant is scheduled for commercial operation in June 2007 with MidAmerican Energy Company (MEC) acting as operating agent. In addition to joint ownership, LES executed a Power Purchase Agreement with MEC that resells 50 megawatts of the 100 megawatt capacity back to MEC for the first 19 months of operations to optimize the economics of LES's participation and better fit LES's anticipated load growth. LES's share of the total estimated cost of construction is approximately \$164.3 million dollars. As of December 31, 2006 approximately \$47 million of construction costs remain. Funding for this construction includes earnings, available funds, and short-and long-term financing.

Participation Contracts with NPPD

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

LES is responsible for its respective participating interests in the two facilities' capital additions and improvements. LES'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 \$7,200,000 in 2006. LES recognizes its share of capital acquisition costs and debt service payments as power costs in the period the costs are billed. Fixed cost payments under the agreements are on a participation basis whether or not such plants are operating or operable. LES recognized expense for its share of the total fixed costs of approximately \$17,100,000 in 2006.

The participation contracts continue until the facilities are removed from commercial operation or the final maturity occurs on the related debt incurred by NPPD to finance the facilities, whichever occurs last. The estimated fixed cost payments to NPPD under these contracts, including capital additions and improvements, debt service payments and fixed costs, and credits aggregate approximately \$19,000,000, \$21,600,000, \$20,900,000, \$17,600,000, and \$17,400,000, respectively, in each of the five years subsequent to December 31, 2006.

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 \$38,000,000 are reflected in utility plant at December 31, 2006.

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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 notice to terminate the agreement. During 2006, LES billed the County approximately \$2,900,000 for demand and energy charges.

**(17) 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 balance sheet date.

At August 31, 2007, the City had incurred a liability of approximately \$6,079,000 for the municipal solid waste landfill which represents the amount of costs reported to date based on the approximately 41 percent of landfill capacity used to date. The remaining estimated liability for these costs is approximately \$9 million, which will be recognized as the remaining capacity is used (estimated to be approximately 22 years).

As of August 31, 2007, the City had incurred a liability of approximately \$517,000 for the construction and demolition debris landfill which represents the amount of costs reported to date based on the approximately 45 percent of landfill capacity used to date. The remaining estimated liability for these costs is approximately \$622,000, 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, 2007, a liability for closure and postclosure care costs is recorded in the amount of approximately \$2,354,000, 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, 2007.

**(18) SEGMENT INFORMATION**

The City has issued revenue bonds and other debt instruments to finance capital construction and acquisitions for both the Parks and Recreation and Public Works/Utilities Departments. The Golf Division of the Parks and Recreation Department operates the City's golf courses and is accounted for in the Golf Fund. The Parking Facilities Division of the Public Works/Utilities Department operates the

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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, 2007, is presented as follows:

	Golf	Parking Facilities	Solid Waste Management
<b>CONDENSED STATEMENT OF NET ASSETS</b>			
<b>Assets:</b>			
Current Assets	\$ 44,869	4,703,977	9,271,772
Due from Other Funds	24,320	325,493	606,381
Restricted Assets	442,849	2,669,529	1,552,771
Deferred Charges	33,408	385,756	72,012
Capital Assets	<u>6,793,756</u>	<u>36,441,813</u>	<u>17,566,507</u>
Total Assets	<u>7,339,202</u>	<u>44,526,568</u>	<u>29,069,443</u>
<b>Liabilities:</b>			
Current Liabilities	881,382	2,095,045	484,626
Due to Other Funds	346,083	-	1,103
Noncurrent Liabilities	<u>1,486,201</u>	<u>12,170,000</u>	<u>12,612,594</u>
Total Liabilities	<u>2,713,666</u>	<u>14,265,045</u>	<u>13,098,323</u>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	5,150,081	25,173,962	15,285,119
Restricted	151,565	859,725	174,748
Unrestricted	<u>(676,110)</u>	<u>4,227,836</u>	<u>511,253</u>
Total Net Assets	<u>\$ 4,625,536</u>	<u>30,261,523</u>	<u>15,971,120</u>
<b>CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS</b>			
Operating Revenues	\$ 2,919,968	6,264,527	5,259,855
Depreciation Expense	(599,870)	(1,047,176)	(1,486,664)
Other Operating Expenses	<u>(2,463,827)</u>	<u>(2,781,952)</u>	<u>(5,079,147)</u>
Operating Income (Loss)	(143,729)	2,435,399	(1,305,956)
<b>Nonoperating Revenues (Expenses):</b>			
Investment Earnings	7,017	380,486	565,403
Loss on Disposal of Capital Assets	(6,999)	-	(10,105)
Occupation Tax	-	-	2,195,132
Interest Expense and Fiscal Charges	(95,381)	(786,918)	(165,832)
Capital Contributions	17,927	567,143	127,351
Transfers	<u>(4,500)</u>	<u>(835,000)</u>	<u>(770,655)</u>
Change in Net Assets	<u>(225,665)</u>	<u>1,761,110</u>	<u>635,338</u>
Beginning Net Assets	<u>4,851,201</u>	<u>28,500,413</u>	<u>15,335,782</u>
Ending Net Assets	<u>\$ 4,625,536</u>	<u>30,261,523</u>	<u>15,971,120</u>
<b>CONDENSED STATEMENT OF CASH FLOWS</b>			
<b>Net Cash Provided (Used) by:</b>			
Operating Activities	\$ 515,996	3,910,865	435,635
Noncapital Financing Activities	85,549	(816,605)	1,736,775
Capital and Related Financing Activities	(551,994)	(2,047,247)	(3,991,431)
Investing Activities	<u>11,616</u>	<u>(611,105)</u>	<u>2,009,344</u>
Net Increase in Cash	61,167	435,908	190,323
Beginning Balance	<u>72,344</u>	<u>913,540</u>	<u>1,870,069</u>
Ending Balance	<u>\$ 133,511</u>	<u>1,349,448</u>	<u>2,060,392</u>

**(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:



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*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 as of August 31, 2007 is approximately \$73,866,000 for the Water System and \$89,116,000 for the Wastewater System.

*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) 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, 2007, the City made rental payments of approximately \$2.4 million to the Commission.

As of August 31, 2007, the Commission has bonds outstanding of \$48,250,000 attributable to several bond issues. Certain proceeds from the bonds totaling \$26,725,000 have been utilized by the Commission to acquire, construct, and/or renovate certain buildings occupied by the City and County. The City's proportionate share of such buildings are recorded as capital assets and the corresponding debt are reflected as capital leases in the City's financial statements. Lease payments are not recorded as capital lease payments in the Debt Service funds but rather are recorded as current expenditures in the various individual funds.

Additional bond proceeds, totaling \$29,000,000, have been utilized by the Commission to construct a new County-City building and to renovate the prior County-City building to be used as a Hall of Justice. It is estimated that the City occupies approximately 65% of the new building and 38% of the renovated building (Hall of Justice). It is anticipated that property tax levies by the Commission will be sufficient to meet bond principal and interest payments. Should revenues from such property tax levies not be sufficient to meet debt service requirements in any given year, the City and County would contribute the necessary payments based on their proportionate occupancy in such buildings. Such contributions are expected to be minimal and will be expensed in the appropriate funds when incurred. The City's proportionate share of the buildings has been recorded in capital assets in accordance with the terms of the joint venture agreement regarding the ultimate transfer of assets to the City and County.

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.

(21) 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

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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.

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

(22) 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 \$198,000 in 2006. The total amount of payments to LES for energy was approximately \$73,000 in 2006.

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 \$94,000 in 2006. The total amount of payments to LES for energy was approximately \$8.1 million in 2006.

**Required Supplementary Information**

**Schedule of Funding Progress**  
(dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll * (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
August 31, 2007	\$ 171,264	\$ 169,587	\$ (1,677)	101.0 %	\$ 30,546	(5.5) %
August 31, 2006	157,527	161,583	4,056	97.5	30,724	13.2
August 31, 2005	145,730	151,978	6,248	95.9	29,029	21.5
August 31, 2004	136,974	144,179	7,205	95.0	28,125	25.6
August 31, 2003	132,578	137,508	4,930	96.4	27,415	18.0
August 31, 2002	128,319	130,875	2,556	98.0	26,607	9.6

\* Non-DROP payroll in 2002 and later

**Schedule of Employer Contributions**  
(dollar amounts in thousands)

Year Ended August 31	Annual Required Contribution	Annual Pension Contribution	Percentage Contributed
2007	\$ 4,056	\$ 3,494	86 %
2006	4,077	2,893	71
2005	3,684	2,562	70
2004	3,297	1,992	60
2003	2,234	1,781	80
2002	1,878	1,542	82

**APPENDIX E**

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**SUMMARY OF PRINCIPAL DOCUMENTS**

## SUMMARY OF PRINCIPAL DOCUMENTS

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

### JPA AGREEMENT

#### **Creation**

Pursuant to the Joint Public Agency Act, Chapter 13, Article 25, Reissue Revised Statutes of Nebraska, as amended (the “Act”), and the JPA Agreement, the County and the City (collectively, the “Participants”) created a joint public agency named the Lancaster County Correctional Facility Joint Public Agency (the “Agency”) and 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: (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 for the construction, equipping, furnishing and financing of the Project and any other capital improvements or other projects pertaining to the Correctional Facilities 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; and (c) to enter into a site lease with the County to provide a site for the Project, construct, equip and furnish the Project, to issue bonds to finance the same, and to levy a tax as provided by the Act and this 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 Project for so long as any Agency Bonds are outstanding, and to convey the Project to the County at such time as no Agency Bonds are outstanding.

#### **Organization**

Governing Body. The Board of the Agency consists of the following representatives: (a) Mayor of the City, (b) Chair of the Board of Commissioners of the County, (c) Chair of the Council of the City and (d) Vice Chair of the County.

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.

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.

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 13-25 16 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 Lancaster County 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. Such levy authority may be exercised by the Agency only to the extent the assigning Participant restricts the exercise of its own levy authority to the same degree and the levy authority allocated to the Agency is reported to the Property Tax Administrator;

(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 payable exclusively from all or a portion of the revenue from one or more projects, from one or more revenue-producing contracts, including securities acquired from any person, or leases made by the Agency with any person, including any Participant, or from its revenue generally which may be additionally secured by a pledge of any grant, subsidy, or contribution from any person or a pledge of any income or revenue, funds, or money of the Agency from any source whatsoever or a mortgage or security interest in any real or personal property, commodity, product, or service or interest therein.

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

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

## **Levy Authority**

Pursuant to the provisions of Section 13-2507, pursuant to the JPA Agreement:

(a) the County irrevocably allocates and assigns to the Agency, for the period beginning September 15, 2008 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 County, beginning in the year 2008 for collection in 2009, for the purpose of paying the costs of constructing, equipping and furnishing the Correctional Facilities pursuant to Section 23-120(2), Reissue Revised Statutes of Nebraska, as amended, an amount equal to \$2,000,000 (the "County Levy") to be levied solely for the purpose of paying the principal or redemption price of and interest on such bonds of the Agency as may be issued for the purpose of acquiring land for, and constructing, equipping and furnishing Correctional Facilities (the "Agency Bonds").

(b) the City irrevocably allocates and assigns to the Agency, for the period beginning September 15, 2008 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, not to exceed \$3,500,000 annually, beginning in the year 2008 for collection in 2009, for the purpose of paying the costs of Correctional Facilities pursuant to Section 15-202, Reissue Revised Statutes of Nebraska, as amended, in an amount which, when added to the County Levy, 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 "City Levy"), solely for the purpose of paying the principal or redemption price of and interest on the Agency Bonds.

The County covenants and agrees that it shall not, for any year so long as the Agency Bonds remain outstanding, cause a tax to be levied pursuant to Section 23-120 unless and until (a) the County Levy is sufficient to generate tax revenues sufficient to pay the principal or redemption price of and interest on the Agency Bonds as the same become due the following year based upon the then-current and

applicable certified valuation of property to be taxed; (b) the Agency has certified the County Levy to the County Board; (c) there remains unused for that tax year a portion of the County Levy authority under Section 23-120, Reissue Revised Statutes of Nebraska, as amended.

The County shall implement the Agency Bond Levy as requested by the Agency as may be required to pay the principal or redemption price of and interest on the Agency Bonds as the same become due, and shall not levy less than the Agency's lawful requested or certified levy, as long as any Agency Bonds remain outstanding.

The County shall collect and disburse to the trustee named by the Agency, all taxes collected under the Agency Bond Levy.

### **Acquiring and Holding Property**

The Board may lease, purchase or acquire by any means, from a Participant or from any other source, such real and personal property as is required for the operation of the Agency and for carrying out the purposes hereof. The title to all such property, personal or real, 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 Project to the County at such time as no Agency Bonds remain outstanding. The Agency shall comply with the applicable bidding procedures of the County Purchasing Act (Chapter 23, Article 31, Reissue Revised Statutes of Nebraska, as amended). The County 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 County Board 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 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 the agency has bonds outstanding unless provision for full payment of the bonds and interest thereon, by escrow or otherwise, has been made pursuant to the terms of the bonds or the resolution, indenture, or security instrument securing the bonds. Upon dissolution of the Agency, provided the City remains an active entity providing county fairs on the Fairgrounds, all interest, if any, in the land, capital improvements, and personal property used in the



operation of the Fairgrounds financed by the City Bonds remaining in the Agency shall be transferred to the City, all other assets of the Agency shall be transferred to the County. In the event that the City is no longer active at the time of dissolution, all assets held by the Agency shall be transferred to the County. The City shall conduct a county fair on the Fairgrounds each year any City Bonds remain outstanding. The City further covenants that as long as any City Bonds remain outstanding, it shall not request that the County Board place the question of reformation of the City before the registered voters of the County.

#### **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 bonds issued by the Agency. 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**

#### **Definitions**

The following words and phrases used in the Facilities Agreement shall have the following meanings, unless the context or use indicates another or different meaning or intent.

**“Bonds”** means the \$[Principal Amount] principal amount of the “Lancaster County Correctional Facilities Joint Public Agency Building Bonds, Series 2008” authorized to be issued pursuant to the Resolution and any bonds of the Agency issued to refund, directly or indirectly, the Bonds.

**“Construction Fund”** means any fund created by a Resolution into which the net proceeds from the sale of Bonds is deposited and disbursed as provided in such Resolution.

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

- (a) Obligations incurred for labor and material and to contractors, builders and materialmen in connection with the 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 the Project;
- (c) Taxes or other municipal or governmental charges lawfully levied or assessed against the 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;
- (j) Any other costs directly incurred in the acquisition, purchase, construction, equipping, furnishing and completion of the Facilities.

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“**Debt Service Fund**” means the fund created by a Resolution into which the Tax Receipts shall be deposited as provided by the Facilities Agreement.

“**Facilities Agreement**” means Facilities Agreement and all amendments and supplements thereto.

“**Project**” shall mean the real property and the capital improvements specified and identified in the Facilities Agreement.

“**Resolution**” shall mean a resolution passed by the Agency, authorizing the issuance of Bonds.

“**Site**” means the real estate described on **Exhibit A** attached to the Facilities Agreement.

“**Site Lease**” means the Site Lease dated February 5, 2009 between the County, as lessor, and the Agency, as lessee, with respect to the Site.

#### **Provision of Facilities**

The Agency agrees that it will enter into the Site Lease and acquire, construct, equip and furnish the Project for the County on the Site and in accordance with final plans and specifications to be approved by the County.

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

The County acknowledges that the costs of constructing, equipping and furnishing the Project may exceed the amount of money to be deposited in the Construction Fund held, which fund contains and will contain money only from the proceeds of sale of the Bonds issued by the Agency. The County 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 Project and the money in the Construction Fund. The County 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 County agrees that any contractor which provides work on the Project shall provide performance and payment bonds and builders’ risk insurance, all as specified in the Facilities Agreement.

The County, 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 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 Project or any portion thereof without the approval of the County. At such time as no Bonds remain outstanding, the Agency shall convey the Project to the County for the sum of \$1.00 and other good and valuable consideration.

Upon completion of the acquisition, construction, equipping and furnishing of the Project, the County 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 County and the Agency agree that all Costs of Construction shall be paid out of the Construction Fund or other available funds of the County. Disbursement requisitions to any contractor or vendor to be paid from the Construction Fund for Costs of Construction of the Project or to any provider of equipment and furnishings, including the final requisition, shall be approved by the County and the Agency. Requisition approvals by the Agency shall be evidenced by the Chair of the Agency and the Treasurer of the Agency pursuant to Section 13-2527(1) Reissue Revised Statutes of Nebraska, as amended.

#### **Certificate of Acceptance**

Upon completion of the Project and acceptance thereof by the County, the fact of such completion and acceptance shall be evidenced by a Certificate of Completion signed by the Chair of the County Board of Commissioners. Upon such completion and acceptance, any amount remaining in the Construction Fund from the Bond issued to finance the Project, after payment of all costs of completion of the Project, shall be transferred to the Debt Service Fund and applied as provided in the Resolution.

#### **Dispute Resolution**

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

#### **Issuance of Bonds; Debt Service**

To pay the Costs of Construction of the Project and the costs of issuance thereof, the Agency, with the consent of the City and the County, may issue Bonds pursuant to a Resolution and to deposit the proceeds thereof as provided in such Resolution.

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

#### **County to Operate and Manage the Facilities**

The County undertakes to maintain, operate and manage the Project at its own expense. In such connection the following terms shall apply:

(a) The City shall provide all necessary personnel to operate and manage the Project as a correctional facility. The Director of Corrections of the County is designated as the chief operating official responsible for the day to day operations of the Project. The County shall provide all personnel, materials and supplies necessary to maintain, operate and manage the Project. All County personnel assisting with the operation of the Project shall be and will remain employees of the County 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 Project may be made from time to time as determined by the~~ County to be necessary, desirable or advisable (the “**Improvements**”) and which are included as a part of the capital improvement program included in the County’s capital improvement budget and approved by the County. The County shall contract for work on such Improvements with contracts to be awarded and entered into pursuant to the bidding procedures of the County Purchasing Act, Section 23-3111, Reissue Revised Statutes of Nebraska, as amended. All costs of such Improvements shall be paid by the County.

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

In exercising its authority and carrying out its duties and functions the County 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 County 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 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 two million 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 \$250,000.

(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 County and the Agency as insureds as their respective interests may appear. Insurance required in (a) and (d) above shall be payable to the County. The cost of any and all such insurance shall be treated as a cost of operation and maintenance of the Project and shall be borne by the County.

**Utilities and Other Impositions**

The County shall provide for the payment of all utility charges, taxes (if any) and other impositions with respect to the Project or the operation thereof and all such charges or impositions shall be treated as a cost of operation and maintenance of the Project and be paid by the County.

**Use of Project**

As long as any Bonds remain outstanding, the proceeds of which were used to acquire, construct, equip, or furnish the Project, the County shall not use the Project, or allow the use thereof, in any manner inconsistent with the original purpose for which the Project was acquired.

**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 County 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.

APPENDIX F

~~FORM OF CONTINUING DISCLOSURE CERTIFICATE~~

## CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the “Disclosure Certificate”) is executed and delivered by the LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY (the “Agency”).

### RECITALS

1. This Disclosure Certificate is executed and delivered in connection with the issuance by the Agency of \$[Principal Amount] principal amount of its Building Bonds, Series 2009, dated the date of delivery (\_\_\_\_\_, 2009) thereof (the “Bonds”), pursuant to a resolution adopted December 30, 2008 (the “Resolution”).

2. The Agency is executing and delivering this Disclosure Certificate for the benefit of the Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule. The Agency is the only “obligated person” with responsibility for continuing disclosure under the Rule.

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

**Section 1. Definitions.** In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 1, the following capitalized terms have the following meanings:

“**Annual Report**” means any annual report provided by the Agency pursuant to, and as described in, Section 2 and Section 3 of this Disclosure Certificate.

“**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.

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

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

“**Disclosure Representative**” means the Budget Director of the County, or his or her designee, or such other officer or employee as the County shall designate in writing to the Registrar from time to time.

“**Dissemination Agent**” means the Disclosure Representative, acting in his capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Agency that has filed with the Agency a written acceptance of such designation.

“**EMMA**” means the Electronic Municipal Market Access system for municipal securities disclosures.

“**Material Events**” means any of the events listed in Section 4(a) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board.

“National Repository” means any nationally recognized municipal securities information repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth in Exhibit A attached hereto. Annual Reports and notices of Material Events are not required to be filed with the National Repositories on or after July 1, 2009.

“Participating Underwriter” means any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

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

“State” means the State of Nebraska.

**Section 2. Provision of Annual Reports.** The Agency shall, or shall cause the Dissemination Agent to, not later March 1 following the end of the Agency’s fiscal year (currently June 30), commencing with the report for the 2007-2008 fiscal year, provide to each Repository an Annual Report that is consistent with the requirements of Section 3 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a single package, and may include by reference other information as provided in Section 3 of this Disclosure Certificate; however, the audited financial statements of the Agency, the City or the County may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Agency’s fiscal year changes, it shall give notice of the change in the same manner as for a Material Event under Section 4(d).

**Section 3. Content of Annual Reports.** The Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Agency, the City and the County for the prior fiscal year, prepared on the budgetary basis of accounting which is a prescribed, comprehensive basis of accounting other than generally accepted accounting principles. If the audited financial statements of the Agency, the City or the County are not available by the time the Annual Report is required to be filed pursuant to Section 2(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The operating data of (a) the County updated for the fiscal year then ended in substantially the scope and form contained in “APPENDIX A - THE COUNTY OF LANCASTER, NEBRASKA – GENERAL, ECONOMIC AND FINANCIAL INFORMATION” in the Official Statement, (b) the City updated for the fiscal year then ended in substantially the scope and form contained in “APPENDIX C - THE CITY OF LINCOLN, NEBRASKA – GENERAL, ECONOMIC AND FINANCIAL INFORMATION” in the Official Statement.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Agency, the County, the City or related public entities, which have been submitted to each Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB (via EMMA if



submitted on or after July 1, 2009). The Agency shall clearly identify each such other document so included by reference.

**Section 4. Reporting of Material Events.**

(a) Pursuant to the provisions of this **Section 4**, the Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

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

(b) The Dissemination Agent shall, promptly after obtaining actual knowledge of the occurrence of any event that he believes may constitute a Material Event, contact the Agency, inform the Agency of the event, and request that the Agency promptly determine whether to report the event pursuant to **Section 4(d)**. If in response to a request under this **Section 4(b)**, the Agency determines that the event would not be material under applicable federal securities laws, the Disclosure Representative shall so notify the Dissemination Agency in writing and instruct the Dissemination Agent to not report the occurrence pursuant to **Section 4(d)**.

(c) Whenever the Agency obtains knowledge of the occurrence of a Material Event, because of a notice received from the Dissemination Agent pursuant to **Section 4(b)** or otherwise, the Agency shall promptly instruct the Dissemination Agent in writing to report the occurrence pursuant to **Section 4(d)**.

(d) If the Dissemination Agent receives written instructions from the Agency to report the occurrence of a Material Event, the Dissemination Agent shall promptly file a notice of such occurrence with each Repository. Notwithstanding the foregoing, notice of those Material Events described in **Section 4(a)(iv)** and **Section 4(a)(v)** do not need to be given under this **Section 3(d)** any earlier than notice is given to the registered owners of affected Bonds pursuant to the Resolution.

**Section 5. Termination of Reporting Obligation.** The Agency's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Agency shall give notice of such termination in the same manner as for a Material Event under **Section 4(d)**.

**Section 6. Dissemination Agent, Other Designated Agents.**

(a) The Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign as dissemination agent hereunder at any time upon 30-days prior written notice to the

Agency. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Agency pursuant to this Disclosure Certificate.

(b) The Agency may, from time to time, appoint or designate one or more agents (each, a “**designated agent**”) to submit Annual Reports, Material Event notices, and other notices or reports with the MSRB via EMMA. The Agency hereby appoints the Dissemination Agent as a designated agent of the Agency solely for the purpose of submitting Agency-approved Annual Reports, Material Event notices, and other notices or reports to the MSRB via EMMA. The Agency revoke this designation at any time upon written notice to the designated agent, and may designate one or more additional designated agents for purposes of this **Section 6(b)** from time to time by written designation to the newly appointed designated agent.

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

(a) If the amendment or waiver relates to the provisions of **Section 2(a)**, **Section 3** or **Section 4** hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

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

(c) The amendment or waiver either (1) is approved by the Beneficial Owners of the Bonds in the same manner as provided for amendments to the Resolution with the consent of the Beneficial Owners, or (2) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Agency shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Agency. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (1) notice of such change shall be given in the same manner as for a Material Event described in **Section 4** hereof, and (2) the audited financial statements for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

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

**Section 9. Default.** In the event of a failure of the Agency or the Dissemination Agent to comply with any provision of this Disclosure Certificate, any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Agency or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Agency or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

**Section 10. Duties and Liabilities of Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Agency agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities that it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Agency under this **Section 10** shall survive resignation or removal of the Dissemination Agent and the payment of the Bonds. The Agency shall pay the fees, charges and expenses of the Dissemination Agent in connection with its administration of this Disclosure Certificate.

**Section 11. Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the Agency, the County, the City, the Dissemination Agent, the Participating Underwriter, and the Beneficial Owners of the Bonds, and will create no rights in any other person or entity.

**Section 12. Severability.** If any provision in this Disclosure Certificate, the Resolution or the Bonds shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

**Section 14. Counterparts.** This Disclosure Certificate may be executed in several counterparts, each of which will be an original and all of which will constitute but one and the same instrument. Copies, facsimiles, electronic files and other reproductions of original documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

**Section 15. Electronic Transactions.** The parties agree that the arrangement described herein may be conducted and related documents may be stored by electronic means.

**Section 16. Governing Law.** This Disclosure Certificate shall be governed by and construed in accordance with the laws of the State of Nebraska.

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

DATED: \_\_\_\_\_, 2009

**LANCASTER COUNTY CORRECTIONAL  
FACILITY JOINT PUBLIC AGENCY**

By: \_\_\_\_\_  
Chair

**EXHIBIT A**

**NATIONALLY RECOGNIZED MUNICIPAL  
SECURITIES INFORMATION REPOSITORIES**

**Bloomberg Municipal Repository**

Bloomberg Business Park  
100 Business Park Drive  
Skillman, New Jersey 08558-3629  
Phone: (609) 279-3225  
Fax: (609) 279-5962 or (800) 395-9403  
E-Mail: [Munis@Bloomberg.com](mailto:Munis@Bloomberg.com)

**Standard & Poor's Securities Evaluations, Inc.**

Repository Service  
55 Water Street, 45<sup>th</sup> Floor  
New York, New York 10041-0003  
Phone: (212) 438-4595  
Fax: (212) 438-3975  
E-mail: [nrmsir\\_repository@sandp.com](mailto:nrmsir_repository@sandp.com)

**FT Interactive Data**

Attn: NRMSIR  
100 William Street, 15<sup>th</sup> Floor  
New York, New York 10038  
Phone: (212) 771-6999 or (800) 689-8466  
Fax: (212) 771-7390 (Secondary Market  
Information)  
Fax: (212) 771-7391 (Primary Market  
Information)  
E-Mail: [NRMSIR@ftid.com](mailto:NRMSIR@ftid.com)

**DPC Data Inc.**

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

**MUNICIPAL SECURITIES RULEMAKING BOARD  
(MSRB)**

**For all filings on or after July 1, 2009:**

Via EMMA  
[www.emma.msrb.org](http://www.emma.msrb.org)

**APPENDIX G**

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**BOOK-ENTRY SYSTEM**

## BOOK ENTRY SYSTEM

**General.** The Bonds are available in book-entry only form. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds. Ownership interests in the Bonds will be available to purchasers only through a book-entry system (the “**Book-Entry System**”) maintained by The Depository Trust Company (“**DTC**”), New York, New York.

The following information concerning DTC and DTC’s book-entry system has been obtained from DTC. The Agency takes no responsibility as to the accuracy or completeness thereof and neither the Indirect Participants nor the Beneficial Owners should rely on the following information with respect to such matters, but should instead confirm the same with DTC or the Direct Participants, as the case may be. There can be no assurance that DTC will abide by its procedures or that such procedures will not be changed from time to time.

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

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

**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  
NOT BANK QUALIFIED**

**RATINGS: S&P: "AA+"  
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, interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal and Nebraska income tax purposes, except as described herein, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. 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."*

**OFFICIAL STATEMENT**

**\$64,390,000**

**LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY  
CORRECTIONAL FACILITY BONDS, SERIES 2009**

Dated: date of delivery

Due: December 1, as set forth below

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 such 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 1 and December 1 of each year beginning on June 1, 2009, by Wells Fargo Bank, National Association, as bond registrar and paying agent (the "Registrar").

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

The Agency will use the proceeds of the Bonds to pay the costs of (a) constructing, equipping and furnishing new correctional facilities (the "Project"), to be owned by the Lancaster County Correctional Facility Joint Public Agency (the "Agency") and operated by The County of Lancaster, Nebraska (the "County") 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. See "PLAN OF FINANCING."

The Bonds are issued pursuant to the terms of a resolution duly passed by the Board of the Agency on December 30, 2008 (the "Resolution"). The principal or redemption price of and interest on the Bonds are limited tax general obligations of the Agency payable solely out of the proceeds of taxes levied by the Agency pursuant to the provisions of the JPA Act and a Joint Public Agency Agreement dated September 9, 2008 (the "JPA Agreement") between the County and The City of Lincoln, Nebraska (the "City") as described herein and in "APPENDIX E – SUMMARY OF PRINCIPAL DOCUMENTS – JPA Agreement." See also "THE AGENCY," "SECURITY" and "NEBRASKA LAWS RELATED TO BUDGETS AND TAXATION."

**MATURITY SCHEDULE**

<u>Maturity</u> <u>(December 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u> <u>(513877)</u>	<u>Maturity</u> <u>(December 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u> <u>(513877)</u>
2009	\$2,430,000	1.00%	1.00%	100.000%	AA8	2017	\$2,890,000	3.00%	2.96%	100.305%	AJ9
2010	2,390,000	2.00	1.50	100.885	AB6	2018	2,980,000	4.00	3.19	106.768	AK6
2011	2,440,000	3.00	1.65	103.681	AC4	2019	3,095,000	3.50	3.44*	100.492	AL4
2012	2,510,000	2.25	1.78	101.719	AD2	2020	3,205,000	3.60	3.75	98.576	AM2
2013	2,570,000	3.00	2.02	104.462	AE0	2021	3,320,000	5.00	4.03*	107.785	AN0
2014	2,645,000	3.00	2.28	103.890	AF7	2022	3,485,000	5.00	4.23*	106.120	AP5
2015	2,725,000	3.00	2.50	103.107	AG5	2023	3,660,000	5.00	4.43*	104.486	AQ3
2016	2,805,000	3.00	2.73	101.883	AH3						

\$21,240,000 5.00% Term Bond due December 1, 2028, price: 99.00% to yield 5.080%, CUSIP No. 513877 AR1

\*Yield to date of earliest optional redemption

**AMERITAS INVESTMENT CORP.**

The Bonds are offered in book entry form only when, as and if issued by the County and accepted by the Underwriter, subject to the approval of legality by Gilmore & Bell, P.C., Lincoln, Nebraska, Bond Counsel. It is expected that the Bonds in definitive form will be available for delivery through DTC on or about February 12, 2009.

The Date of this Official Statement is January 27, 2009.

**LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY**

Bernie Heier, Chair  
Robin Eschliman, Vice Chair  
Ray Stevens, Secretary/Treasurer  
Chris Beutler

**THE COUNTY OF LANCASTER, NEBRASKA**

**Board of Commissioners**

Bernie Heier, Chair  
Larry Hudkins  
Deb Schorr  
Ray Stevens  
Bob Workman

**County Administration**

Dan Nolte, Clerk  
Richard Nuernberger, Treasurer  
Robert Agena, Assessor  
Gary Lacey, Attorney

**THE CITY OF LINCOLN, NEBRASKA**

**Mayor**

Christopher J. Beutler

**City Council**

Robin Eschliman (Chair)

Jon Camp  
Jonathan Cook  
Doug Emery

Dan Marvin  
John Spatz  
Ken Svoboda

**UNDERWRITER**

Ameritas Investment Corp.

**BOND COUNSEL**

Gilmore & Bell, P.C.,

**REGISTRAR AND PAYING AGENT**

Wells Fargo Bank, National Association

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## REGARDING USE OF THIS OFFICIAL STATEMENT

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### AUTHORIZED INFORMATION AND REPRESENTATIONS

No dealer, broker, sales representative or other person has been authorized by the Agency, the County, the City or Ameritas Investment Corp. (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 County, the City 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 Underwrite 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, their 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 County or the City since the date hereof.

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### 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 County 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.

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### 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 County or any other party plans to issue any updates or revisions to those forward-looking statements if or when the expectations, or events, conditions or circumstances upon which such statements are based occur.

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**THE UNDERWRITER INTENDS TO OFFER THE BONDS INITIALLY AT THE OFFERING PRICES SET FORTH ON THE 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.**

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## OFFICIAL STATEMENT

\$64,390,000

### LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY CORRECTIONAL FACILITY BONDS, SERIES 2009

#### INTRODUCTION

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

#### **Purpose of the Official Statement**

The purpose of this Official Statement is to furnish information relating to (a) the Lancaster County Correctional Facility Joint Public Agency (the “**Agency**”), (b) The County of Lancaster, Nebraska (the “**County**”), (c) The City of Lincoln, Nebraska (the “**City**”), and (d) the Correctional Facility Bonds, Series 2009 (the “**Bonds**”), of the Agency, dated the date of delivery thereof, to be issued in the aggregate principal amount of \$64,390,000.

#### **The Agency**

The Agency was created pursuant to the Joint Public Agency Act (Chapter 13, Article 23, Reissue Revised Statutes of Nebraska, as amended, the “**JPA Act**”) and a Joint Public Agency Agreement dated September 9, 2008 (the “**JPA Agreement**”) between the County and the City. The Agency was created for the purpose of financing the construction, equipping and furnishing of new correction facilities (the “**Project**”) on land owned by the County and leased to the Agency pursuant to a Site Lease dated February 5, 2009 (the “**Site Lease**”) between the Agency and the County. The Agency will own the Project until the Bonds are no longer outstanding, at which time the Agency will transfer ownership of the Project to the County. The County will operate and maintain the Project pursuant to a Facilities Agreement dated February 5, 2009 (the “**Facilities Agreement**”) between the County and the Agency. See “**PLAN OF FINANCING**” and **APPENDIX E - SUMMARY OF PRINCIPAL DOCUMENTS.**”

#### **The County**

The County is a county and political subdivision created and existing under the laws of the State of Nebraska (the “**State**”), including, without limitation, Section 22-155, Reissue Revised Statutes of Nebraska, as amended. See “**THE COUNTY.**”

#### **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. See “**THE CITY.**”

#### **The Bonds**

The Bonds will be issued pursuant to a Bond Resolution passed December 30, 2008 (the “**Bond Resolution**”) by the Board of the Agency for the purpose of (a) paying the costs of the Project, and (b) paying 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 limited tax general obligations of the Agency payable solely out of the proceeds of taxes levied by the Agency pursuant to the provisions of the JPA Act and the JPA Agreement. Under the JPA Agreement, the County has allocated to the Agency its authority to cause the levy of taxes within the taxing district of the County pursuant to Section 23-120(2), Reissue Revised Statutes of Nebraska, as amended, an amount equal to \$2,000,000 (the “County Levy”), and the City has allocated to the Agency its authority to cause the levy of taxes within the taxing district of the City, not to exceed \$3,500,000 annually pursuant to Section 15-202, Reissue Revised Statutes of Nebraska, as amended, in an amount which, when added to the County Levy, will be sufficient to pay the principal or redemption price of and interest on the Bonds when and as the same become due (the “City Levy”). See “THE AGENCY,” “SECURITY,” and “NEBRASKA LAWS RELATED TO BUDGETS AND TAXATION.”

## Financial Statements

Audited financial statements of the County, as of and for the year ended June 30, 2007, are included in “APPENDIX B – COUNTY FINANCIAL STATEMENTS.” These financial statements have been audited by Dana F. Cole & Company, LLP, independent certified public accountants, to the extent and for the periods indicated in their report, which is also included in “APPENDIX B – COUNTY FINANCIAL STATEMENTS.” The Audited financial statements of the City, as of and for the year ended August 31, 2007, are included in “APPENDIX D – CITY FINANCIAL STATEMENTS.” These financial statements have been audited by BKD, LLP, independent certified public accountants, to the extent and for the periods indicated in their report, which is also included in “APPENDIX D – CITY FINANCIAL STATEMENTS.”

## Ratings

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

## THE AGENCY

The Agency was created on September 9, 2008 pursuant to the JPA Act and the JPA Agreement to provide financing for the construction, equipping and furnishing of new correctional facilities on land owned by the County and leased to the Agency pursuant to the Site Lease. Under the JPA Agreement, the governing body of the Agency (the “Board”) consists of the Chair and Vice Chair of the County Board of Commissioners and the Mayor and Chair of the Council of the City. All actions may be taken by the affirmative vote of a majority of the Board, except that the issuance of bonds by the Agency must be approved by the Mayor and Council of the City and the Board of Commissioners of the County.

The members of the Board are as follows:

<u>Name</u>	<u>Office</u>	<u>Term Began</u>	<u>Term Expires</u>
Bernie Heier	Chair	September 15, 2008	January 5, 2010
Robin Eschliman	Vice Chair	September 15, 2008	May 18, 2009
Ray Stevens	Secretary/Treasurer	January 6, 2009	January 5, 2010
Chris Beutler	Member	September 15, 2008	May 16, 2011

## **THE COUNTY**

The County is a county and political subdivision created and existing under the laws of the State, including, without limitation, Section 22-155, Reissue Revised Statutes of Nebraska, as amended. The County encompasses approximately 864 square miles and is located in southeastern Nebraska. The County includes the cities of Lincoln, Hickman and Waverly and the villages of Bennet, Davey, Denton, Firth, Hallam, Malcolm, Panama, Pleasant Dale, Raymond, Roca and Sprague and has a current estimated population of approximately 276,000. See “**APPENDIX A – THE COUNTY OF LANCASTER, NEBRASKA – GENERAL, ECONOMIC AND FINANCIAL INFORMATION**” and “**APPENDIX B – COUNTY FINANCIAL STATEMENTS.**”

## **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 89 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 approximately 241,000. See “**APPENDIX C – THE CITY OF LINCOLN, NEBRASKA – GENERAL, ECONOMIC AND FINANCIAL INFORMATION**” and “**APPENDIX D – CITY 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 (a) paying the costs of the Project and (b) paying the costs of issuing the Bonds.

### **The Project**

The 2008 Project consists of constructing, equipping and furnishing a new adult correctional facility for the County. The facility will have 667 inmate beds together with support services covering a wide range of inmate needs. The new facility is being constructed on a 39 acre site in west Lincoln, which allows for future expansion of the facility as needed.

The Agency will deposit approximately \$64,880,000 of the proceeds of the Bonds in the Construction Fund established under the Bond Resolution. The total estimated cost of the Project is approximately \$65,000,000. Construction is scheduled to commence in June, 2009 and is estimated to be completed not later than June 2011.

### **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:

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

**Sources of Funds:**

Principal Amount of Bonds	\$64,390,000.00
Plus: Net Original Issue Premium	<u>1,112,783.30</u>
Total	<u>\$65,502,783.30</u>

**Uses of Funds:**

Deposit to Construction Fund	\$64,880,858.30
Costs of Issuance	<u>621,925.00</u>
Total	<u>\$65,502,783.30</u>

**DEBT SERVICE REQUIREMENTS**

The following table sets for the debt service requirements (in thousands) for the Agency's Bonds for each of the calendar ending December 31:

<u>Calendar year ending December 31</u>	<u>Principal Amount</u>	<u>Interest</u>	<u>Total Debt Service</u>
2009	\$2,430,000.00	\$2,038,236.72	\$4,468,236.72
2010	2,390,000.00	2,514,680.00	4,904,680.00
2011	2,440,000.00	2,466,880.00	4,906,880.00
2012	2,510,000.00	2,393,680.00	4,903,680.00
2013	2,570,000.00	2,337,205.00	4,907,205.00
2014	2,645,000.00	2,260,105.00	4,905,105.00
2015	2,725,000.00	2,180,755.00	4,905,755.00
2016	2,805,000.00	2,099,005.00	4,904,005.00
2017	2,890,000.00	2,014,855.00	4,904,855.00
2018	2,980,000.00	1,928,155.00	4,908,155.00
2019	3,095,000.00	1,808,955.00	4,903,955.00
2020	3,205,000.00	1,700,630.00	4,905,630.00
2021	3,320,000.00	1,585,250.00	4,905,250.00
2022	3,485,000.00	1,419,250.00	4,904,250.00
2023	3,660,000.00	1,245,000.00	4,905,000.00
2024	3,845,000.00	1,062,000.00	4,907,000.00
2025	4,035,000.00	869,750.00	4,904,750.00
2026	4,240,000.00	668,000.00	4,908,000.00
2027	4,450,000.00	456,000.00	4,906,000.00
2028	<u>4,670,000.00</u>	<u>233,500.00</u>	<u>4,903,500.00</u>
<b>Total</b>	<b><u>\$64,390,000.00</u></b>	<b><u>\$33,281,891.72</u></b>	<b><u>\$97,671,891.72</u></b>

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

## 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 1 in the years and in the principal amounts set forth on the cover page of this Official Statement and bear interest calculated on the basis of a 360-day year consisting of twelve 30-day months at the rates per annum set forth on the cover page hereof. Interest is payable on June 1 and December 1 of each year, commencing June 1, 2009. The “**Record Date**” for each installment of interest shall be the 15<sup>th</sup> day of the month preceding the month in which such interest payment date occurs.

### 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 Wells Fargo Bank, National Association, 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

**Mandatory Redemption.** The Bonds maturing December 1, 2028 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 1 the following principal amounts of Bonds:

<u>Year</u>	<u>Principal Amount</u>
2024	3,845,000
2025	4,035,000
2026	4,240,000
2027	4,450,000
2028*	4,670,000

\*Final maturity

**Optional Redemption.** The Bonds maturing December 1, 2018 are not subject to optional redemption prior to their stated maturities. The Bonds maturing on and after December 1, 2019 are subject to optional redemption at the option of the Agency prior to the stated maturities thereof at any time on or after December 1, 2018 in such principal amounts

and from such maturity or maturities as the Agency in its absolute discretion may determine, at a redemption price equal to 100% of the principal amount thereof plus accrued interest thereon to the date fixed for redemption.

**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**

The Bonds are payable solely from the levy of taxes authorized by the JPA Agreement as set forth herein. Under the JPA Agreement, the maximum amount which may be levied annually solely to pay principal and interest due on the Bonds is \$5,500,000. See “JPA Agreement” below. The average amount of yearly debt service payable by the Agency for the Bonds will not exceed \$4,910,000. The Bonds will be the only outstanding obligations of the Agency

payable from the levy of taxes authorized by the JPA Agreement. The debt service payable on the Bonds will not require the Agency to levy taxes in excess of the levy limit set forth in the JPA Agreement.

### **JPA Agreement**

Under the JPA Agreement, the County has irrevocably allocated and assigned to the Agency, for the period beginning September 15, 2008 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 to cause the levy of taxes within the taxing district of the County, beginning in the year 2008 for collection in 2009, for the purpose of paying the costs of the Project pursuant to Section 23 120(2), Reissue Revised Statutes of Nebraska, as amended, an amount equal to \$2,000,000 (the “County Levy”) to be levied solely for the purpose of paying the principal or redemption price of and interest on the Bonds.

Under the JPA Agreement, the City has irrevocably allocated and assigned to the Agency, for the period beginning September 15, 2008 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 to cause the levy of taxes within the taxing district of the City, not to exceed \$3,500,000 annually, beginning in the year 2008 for collection in 2009, for the purpose of paying the costs of the Project pursuant to Section 15-202, Reissue Revised Statutes of Nebraska, as amended, in an amount which, when added to the County Levy, will be sufficient to pay the principal or redemption price of and interest on the Bonds when and as the same become due (the “City Levy”), solely for the purpose of paying the principal or redemption price of and interest on the Bonds.

The County has agreed in the JPA Agreement to implement the County Levy and the City Levy as requested by the Agency as may be required to pay the principal or redemption price of and interest on the Bonds as the same become due, and may not levy less than the Agency’s lawful requested or certified levy, as long as any Bonds remain outstanding. The County has further agreed to collect and disburse to the Registrar all taxes levied by the Agency.

See “APPENDIX C - SUMMARY OF PRINCIPAL DOCUMENTS - JPA Agreement.”

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

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

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

County may allocate up to 15¢ of its authority to other political subdivisions subject to allocation of authority under Section 77-3443(1), Reissue Revised Statutes of Nebraska, as amended, to levy taxes as authorized by law which do not collectively exceed 15¢ per \$100 of taxable valuation on any parcel or item of taxable property. The County may exceed the Levy Limitations or a final levy allocation by an amount not to exceed a maximum levy approved by a majority of registered voters. Property tax levies for bonded indebtedness approved according to law and secured by a levy on property are not included in the Levy Limitations.

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

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

## 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 Society or the County or the right or title of any officer to his or her respective offices, or the legality of any official act in connection with the authorization, issuance and sale of the Bonds, or the constitutionality or validity of the Bonds or any of the proceedings had in relation to the authorization, issuance or sale thereof, or the levy and collection of a tax to pay the principal and interest thereof, or which might affect the Agency's ability to meet its obligations to pay the Bonds.

### Approval of Legality

All legal matters incident to the authorization and issuance of the Bonds are subject to the approval of Gilmore & Bell, P.C., Lincoln, Nebraska, Bond Counsel. Certain legal matters will be passed upon for the Agency by Gilmore & Bell, P.C., Lincoln, Nebraska. 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 County and certified public accountants, 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

### Opinion of Bond Counsel

**Federal and Nebraska Tax Exemption.** In the opinion of Gilmore & Bell, P.C., Bond Counsel, under existing law, the interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal and Nebraska income tax purposes. 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. The opinions set forth in this paragraph are subject to the condition that the Agency 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 and Nebraska income tax purposes. The Issuer and the Borrower 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.

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

**Original Issue Discount.** In the opinion of Bond Counsel, under existing law, the original issue discount in the selling price of each Bond purchased in the original offering at a price less than the principal amount thereof, to the extent properly allocable to each owner of such Bond, is excludable from gross income for federal income tax purposes with respect to such owner. The original issue discount is the excess of the stated redemption price at maturity of such Bond over its initial offering price to the public (excluding underwriters and intermediaries) at which price a substantial amount of the Bonds were sold. Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to an owner during any accrual period generally equals (A) the issue price of such Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (B) the yield to maturity on such 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 (iii) any interest payable on such Bond during such accrual period. The amount of original issue discount so 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 such Bond. Owners of any Bonds purchased at an original issue discount should consult with their tax advisors regarding the determination and treatment of original issue discount for federal income tax purposes and the state and local tax consequences of owning such Bonds.

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

**No Other Opinions.** Bond Counsel expresses no opinion regarding other federal, state or local tax consequences arising with respect to the Bonds.

### **Other 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.

## UNDERWRITING

Ameritas Investment Corp. (the “Underwriter”) has agreed, subject to certain customary closing conditions, to purchase the Bonds at an aggregate purchase price of \$65,019,858.30 (equal to the par amount of the Bonds plus net original issue premium in the amount of \$1,112,783.30 and less Underwriter’s discount of \$482,925.00), and to make a public offering of the Bonds at not in excess of the public offering prices or less than the yields set forth on the cover page of this Official Statement. The Underwriter will be obligated to purchase all such Bonds if any such Bonds are purchased. The Bonds may be offered and sold to certain dealers at prices lower than such public offering prices, and such public offering prices may be changed from time to time by the Underwriter. In connection with underwriting the Bonds, the Underwriter has temporarily terminated its financial advisory relationship with the City and the County.

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

Generally, 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 Series 2009 Bonds.

### 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 County, the Society, 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, the County and the Society 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.

### **Continuing Disclosure**

The Agency has covenanted for the benefit of the Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the Agency to by not later than the March following the end of the Agency's fiscal year (presently June 30) (the "**Annual Report**"), commencing with the report for the 2008 Fiscal Year, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report and material event notices will be filed by the Agency under the Electronic Municipal Market Access system established by the Municipal Securities Rulemaking Board. The proposed form of the Agency's Continuing Disclosure Certificate is attached to this Official Statement as "**APPENDIX F – FORM OF CONTINUING DISCLOSURE CERTIFICATE.**" These covenants have been made in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5) (the "**Rule**").

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

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**APPENDIX A**

**THE COUNTY OF LANCASTER, NEBRASKA  
GENERAL, ECONOMIC AND FINANCIAL INFORMATION**

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# LANCASTER COUNTY

## **General Information**

Lancaster County is located in southeastern Nebraska, near the center of population of the State. It is approximately midway between Chicago and Denver and approximately 215 miles northwest of Kansas City. Its area is 864 square miles.

## **Population**

The 1960 population of the County was 155,272; the 1970 population was 167,972; and the 1980 census showed a population of 192,844. The 1990 census count was 213,641 which reflects a 10.8 % increase over 1980; the 2000 census count was 250,291 which reflects a 17.2% increase over 1990. The major population of the County in 2000 was the City of Lincoln. The City of Lincoln's 2000 population was 225,581 which represents approximately 90% of the County's total population. The current population of the County is estimated at 275,665.

## **County Government**

Lancaster County is governed by a County Board consisting of five Commissioners. One Commissioner is chosen by the others to serve as Chair of the Board. The Commissioners are the legislative and administrative body of the County.

County government has a broad range of responsibility, including the present Lancaster Manor care facility, the Community Mental Health Center, justice and corrections systems and the County's highway and road system. The County has cooperated actively with the City of Lincoln in one joint governmental building and in other specific areas of responsibility, including health, planning, emergency management, information services, tax collection, parks and jail.

## **Authority to Levy Property Taxes**

Section 77-3442 (8), Reissue Revised Statutes of Nebraska, as amended, grants to counties the authority to levy an ad valorem tax not to exceed 50¢ per \$100 of actual value (the "General Fund Levy") for general governmental purposes, provided that said maximum tax rate may be exceeded upon an approving vote of the electors of the County.

The Nebraska Legislature has enacted legislation intended to reduce the level of property taxation and political subdivision expenditures in the State. The two measures of principal concern are LB 299 (enacted in 1996 and recently modified and extended by LB 989), which provides for an overall limitation on general fund budget expenditures for cities and counties, and LB 1114, which reduces the rate of taxation for general property taxes authorized for cities and counties.

Among other provisions, LB 989 provides that for all fiscal years beginning on or after July 1, 1998, no city or county (including the County) may adopt a budget containing a total of budgeted restricted funds more than the last prior year's total of budgeted restricted funds, plus allowable growth plus a basic allowable growth percentage (initially 2.5% until adjusted by the Legislature). Restricted funds generally include property taxes, payments in lieu of property taxes, local option sales taxes, state aid and 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. Allowable growth includes the percentage increase in taxable valuation in excess of the base limitation established under LB 989 due to improvement to real property as a result of new construction, additions to existing building, any improvements to real property which increase the value of such property and any increase in valuation due to annexation 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 LB 1114 the rates for levying property taxes will be reduced for each type of governmental unit in the State. The rate for counties, such as Lancaster, is no more than 50¢ per \$100 of taxable valuation, except that 5¢ per \$100 of taxable valuation may only be levied to provide financing for a county's share of revenue required under an agreement executed pursuant to the Interlocal Cooperation Act. A county may allocate up to 15¢ of its authority to all other political subdivisions not specifically covered in Section 1 of LB 1114 to levy taxes as authorized by law which do not collectively exceed 15¢ per \$100 of taxable valuation on any parcel or item of taxable property. Property tax levies to pay bonded debt or for pre-existing lease-purchase contracts approved prior to July 1, 1998, are not included in such limitation. The County's total levy (including bond levy of 0.6455¢) for fiscal year 2008 is 26.83¢ which is expected to produce \$50,396,037 in collected taxes.

## **Transportation**

Lancaster County is served by Interstate 80, U.S. Routes 6, 34 and 77 and State Highways 2 and 33. Interstate 80 permits uninterrupted travel between both coasts.

Scheduled air service is provided to the Lincoln Municipal Airport by United Airlines, Northwest and Allegiant. The City's airport has three runways (one of which is 12,900 feet in length) which can accommodate any type of modern aircraft.

Railroad transportation facilities include those of the Burlington Northern and Union Pacific Railroads. Bus transportation is furnished by one scheduled carrier.

## **Government Center**

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



Nebraska State Fair and the Nebraska Penal Complex.

Federal agencies in Lancaster County include regional offices of the U.S. Department of Agriculture (Mid-west Regional Technical Service Center) and of the Veterans Administration, as well as the state offices of other federal agencies. Lancaster County offices are located in Lincoln, the County seat.

### **Budgetary Process**

Nebraska State Law requires the County to prepare an annual budget. The Board of Commissioners, with assistance from the Budget and Fiscal Director, prepares a proposed budget after reviewing and analyzing requests from County agencies. The proposed budget is printed and made available to interested citizens, and a public hearing is held for input concerning the proposed budget. After the hearing, the Board of Commissioners may revise the items contained in the proposed budget if considered necessary. Following the adoption of the budget and not later than October 15, the Board of Commissioners must fix the tax rates. The first half of real estate and personal property tax payable becomes delinquent April 1 and the second half August 1.

### **Debt Management**

The County is authorized by law to levy taxes in an amount not to exceed 50¢ per \$100 of actual valuation without an approving vote of the electorate. The County's 2009 tax levy is 26.83¢ per \$100 of actual valuation. Additionally, Section 23-120(3)(b), Reissue Revised Statutes of Nebraska, as amended ("Section 23-120(3)(b)"), permits any county which has no bonded indebtedness payable from its general fund levy, on the day it first initiates a project, to levy a tax in an amount not exceeding 5.2¢ on each \$100 of actual valuation (the "5.2¢ levy") to provide a fund for the erection or repair of a courthouse, jail, or other county buildings for a period of not exceeding ten years and to appropriate the funds from such 5.2¢ levy for such purposes without voter approval. Based upon the County's current valuation, the 5.2¢ levy represents potential tax revenues of \$9,768,869.

All Nebraska property taxes are levied in October for the tax year beginning on the following January 1, with one-half of such taxes becoming delinquent on April 1 of the tax year and the remaining one-half on August 1 of the tax year.

*Obligations Payable From 5.2¢ Levy.* The County presently has outstanding \$2,940,000 aggregate principal amount of its limited tax bonds, payable from the 5.2¢ levy. Also secured by the 5.2¢ levy is that portion of debt service on 50% of bonds issued by the Lincoln-Lancaster County Public Building Commission for the expansion and improvement of the Lincoln-Lancaster County Health Department facility. The County share of these bonds outstanding at June 30, 2008 was \$5,160,000. For its fiscal year ending June 30, 2009, the County has levied 0.6455¢ of its 5.2¢ levy in order to pay debt service on obligations previously issued to finance facilities designated by it as "projects" under §23-120, Reissue Revised Statutes of Nebraska, as amended. It is expected that the County will designate various future "projects" as needed to be funded from the proceeds of the 5.2¢ levy and that portions of such "projects" may be accelerated or delayed if needed to make

allowances for "projects" requiring a multi-year levy.

*Obligations Payable From General Fund Levy.* The County has leased Lancaster Manor Project from the Lancaster County Leasing Corporation. Although the County's Lancaster Manor lease rentals are, to the extent not paid from other available sources, payable from the General Fund Levy, revenues from the operation of Lancaster Manor have been sufficient to date to permit the County to pay such rentals without resort to General Fund Levy tax revenues. The Lancaster Manor bonds were paid off July 15, 2008.

*Lincoln-Lancaster County Public Building Commission Bonds.* The Lincoln-Lancaster County Public Building Commission (the "Commission"), organized pursuant to Chapter 13, Article 13, Reissue Revised Statutes of Nebraska, as amended, was established to design, construct, maintain, operate, improve, remodel, remove and reconstruct projects for use by both the City of Lincoln, Nebraska, and the County. As of June 30, 2008, the Commission has \$46,565,000 in outstanding principal amount of bonds (the "Commission Bonds"), with an average aggregate annual debt service requirement of approximately \$4,000,000 and a final maturity on December 1, 2026. The Commission receives, and expects to receive in the future, lease rental revenues from the City and the County which are adequate to meet all of its debt service requirements upon such Commission Bonds. The County is presently responsible for annual lease rental payments to the Commission averaging \$2,298,800 per year. The City and the County may from time to time agree to a reallocation of space in such facilities and portions of such facilities not required by either of them is permitted to be leased to other governmental entities.

To the extent not paid from other sources, the County is obligated to levy taxes sufficient to pay its pro rata share of debt service on such Commission Bonds, as determined by dividing the amount of square footage occupied by each of the City and the County by the sum of the square footage occupied by both and applying the resulting percentages to the total of such debt service and expenses.

### **Debt Payment Record**

The County has never defaulted on its obligations to pay principal of or interest on its indebtedness.

**SCHEDULE OF DIRECT AND UNDERLYING DEBT  
LANCASTER COUNTY, NEBRASKA**

Direct Debt

Actual Valuation (2008) 18,786,286,695

Net Direct Bonded Debt as of June 30, 2008

Lancaster Manor 2,775,000

Series 2004 Various Projects 2,940,000

Total Direct Debt 5,715,000

Underlying

Lincoln-Lancaster County Public Building Commission 46,565,000

Airport Authority of the City of Lincoln, Nebraska 6,245,000

Lancaster County Fairgrounds Joint Public Agency 9,440,000

62,250,000

Cities and Villages -

<u>Lancaster County</u>	<u>2008 Valuation</u>	<u>Bonded Debt (1)</u>	<u>Applicable to County</u>
Bennet	36,149,710	2,208,679	2,208,679
Davey	8,076,657	-	-
Denton	9,933,309	-	-
Firth	25,259,860	26,550	26,550
Hallam	15,914,698	400,998	400,998
Hickman	80,943,315	5,554,097	5,554,097
Lincoln (2)	15,935,572,737	128,581,000	128,581,000
Malcolm	19,438,683	245,000	245,000
Panama	12,698,341	150,000	150,000
Raymond	8,817,684	191,058	191,058
Roca	10,822,183	-	-
Sprague	7,036,442	-	-
Waverly	215,138,607	1,935,000	1,935,000
			139,292,382

(1) As of October 1, 2008, unless otherwise noted

(2) G.O. debt as of August 31, 2008

This debt is rated AAA by Standard & Poor's and Aaa by Moody's

Source: City of Lincoln

Sanitary and

Improvements District (3)

<u>S.I.D. #8 (Walton)</u>	<u>2008 Valuation</u>	<u>Bonded Debt (4)</u>	<u>Applicable to County</u>
	2,561,221	40,000	40,000

(3) Only districts with bonded debt are listed

(4) As of July 1, 2008

<u>School Districts</u>	<u>% Applicable to County (5)</u>	<u>Bonded Debt (6)</u>	<u>Applicable to County</u>
Lincoln No. 1	100.00%	249,065,000	249,065,000
Waverly No. C-145	84.16%	26,660,000	22,437,056
Malcolm No. 148	98.57%	3,050,000	3,006,385
Norris No. 160	87.03%	11,235,000	9,777,821
Raymond Central No. 161	54.12%	4,000,000	2,164,800
Palmyra No. OR-1 (Otoe Co.)	54.84%	2,225,000	1,220,190
Crete No. 2 (Saline Co.)	38.39%	3,995,000	1,533,681
Wilber-Clatonia No. 82 (Saline Co.)	1.39%	4,565,000	63,454
Milford No. 5 (Seward Co.)	10.37%	2,290,000	237,473
D. Freeman No. 34 (Gage Co.)	0.55%	5,300,000	29,150
			<u>289,535,009</u>

(5) Percent of debt applicable to County is based on 2008 Valuations for school districts

(6) As of September 1, 2009

<u>Rural Fire Protection Districts (7)</u>	<u>2008 Valuation</u>	<u>Bonded Debt (8)</u>	<u>Applicable to County</u>
Bennet	271,762,254	60,787	56,994
Ceresco	136,751,642	132,048	60,372
Eagle-Alvo	208,045,571	120,000	36,708
Greenwood	86,712,849	40,000	4,080
Hallam	96,306,500	472,016	374,450
Hickman	294,088,440	190,000	190,000
Highland	71,452,153	84,692	84,692
Raymond	228,373,480	110,000	110,000
Seward	1,085,205,303	740,000	44,178
Southwest	445,690,487	1,195,000	1,195,000
Waverly	254,018,346	35,000	35,000
			<u>2,191,474</u>

(7) Only districts with bonded debt are listed

(8) As of July 1, 2008

Total Direct/Underlying G.O. Bonded Debt	499,023,865
Ratio of Total Direct & Underlying G.O. Bonded Debt to Actual Valuation	2.66%

# LANCASTER COUNTY

## HISTORICAL VALUATIONS AND LEVIES

Year	Valuation	County Operating		Debt Service		Building Fund		Jail Savings Fund		Total	
		Levy	Tax Amount	Levy	Tax Amount	Levy	Tax Amount	Levy	Tax Amount	Levy	Tax Amount
1999-00	10,822,896,923	23.05	24,944,904	2.41	2,611,283	0.38	406,139			25.84	27,962,326
2000-01	11,381,932,044	23.99	27,309,511	2.44	2,775,498	0.00	-			26.43	30,085,009
2001-02	12,621,053,086	24.27	30,625,225	1.31	1,658,600	0.25	314,099			25.83	32,597,924
2002-03	13,081,633,040	25.67	33,586,533	1.16	1,515,073	0.00	-			26.83	35,101,606
2003-04	14,958,476,056	25.33	37,879,025	1.43	2,144,733	0.07	109,835			26.83	40,133,593
2004-05	15,375,859,915	26.19	40,262,117	1.75	2,696,631	0.03	47,532			27.97	43,006,280
2005-06	15,932,331,879	27.46	43,746,071	0.86	1,369,996	0.09	147,688			28.41	45,263,755
2006-07	18,045,787,841	25.56	46,117,157	0.91	1,646,830	0.08	147,228			26.55	47,911,215
2007-08	18,343,871,223	25.81	47,342,847	0.66	1,212,554	0.08	147,228	1.00	1,834,387	27.55	50,537,016

**LANCASTER COUNTY  
PROPERTY TAXES LEVIED AND COLLECTED**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>TAX CERTIFIED BY THE ASSESSOR</b>					
Real Estate	274,410,927	286,843,042	303,066,098	333,093,322	324,742,225
Personal Property	13,475,101	13,046,023	12,970,963	12,130,807	12,440,933
Specials	<u>4,990,287</u>	<u>4,482,774</u>	<u>4,573,499</u>	<u>4,495,557</u>	<u>4,482,738</u>
Total	292,876,315	304,371,839	320,610,560	349,719,686	341,665,896
<b>CORRECTIONS</b>					
Additions	66,163	648,225	559,946	196,980	1,792,298
Deductions	<u>(595,602)</u>	<u>                    </u>	<u>                    </u>	<u>(1,020,632)</u>	<u>                    </u>
Net Corrections	(529,439)	648,225	559,946	(823,652)	1,792,298
<b>CORRECT CERTIFIED TAX</b>	292,346,876	305,020,064	321,170,506	348,896,034	343,458,194
<b>NET TAX COLLECTED BY COUNTY TREASURER DURING FISCAL YEAR ENDED:</b>					
June 30, 2004	163,580,726				
June 30, 2005	128,309,064	170,165,035			
June 30, 2006	64,364	134,389,743	177,334,642		
June 30, 2007	292,816	380,323	143,633,366	191,774,975	
June 30, 2008	<u>8,022</u>	<u>18,056</u>	<u>125,053</u>	<u>156,938,174</u>	<u>188,941,983</u>
Total Net Tax Collections	292,254,992	304,953,157	321,093,061	348,713,149	188,941,983
<b>TOTAL UNCOLLECTED TAX</b>	<u>91,884</u>	<u>66,907</u>	<u>77,445</u>	<u>182,885</u>	<u>154,516,211</u>
<b>PERCENTAGE OF UNCOLLECTED TAX AS OF JUNE 30, 2008</b>	<u>0.031%</u>	<u>0.022%</u>	<u>0.024%</u>	<u>0.052%</u>	<u>44.988%</u>

Source: Lancaster County Treasurer

# LANCASTER COUNTY

## HISTORICAL BUILDING PERMITS

Year	Residential Construction		Hospitals, Churches, Public Works, Educational		Other Commercial		Total	
	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value
1998	2,878	205,846,760	79	25,094,352	1,432	120,614,872	4,389	351,555,984
1999	2,946	213,193,201	70	21,138,978	1,478	165,704,831	4,494	400,037,010
2000	3,027	223,067,547	81	21,874,896	1,334	198,063,318	4,442	443,005,761
2001	3,047	239,964,956	104	32,876,462	1,233	159,871,067	4,384	432,712,485
2002	3,375	289,079,445	89	143,530,048	1,293	185,017,127	4,757	617,626,620
2003	3,979	352,315,523	73	53,042,082	1,323	139,848,295	5,375	545,205,900
2004	3,582	336,523,340	95	109,850,512	1,258	122,878,450	4,935	569,252,302
2005	3,182	271,716,461	75	75,072,179	1,338	188,632,631	4,595	535,421,271
2006	2,782	244,886,632	80	48,839,551	1,320	158,902,493	4,182	452,628,676
2007	2,657	198,175,039	81	140,213,992	1,126	175,010,770	3,864	513,399,801

Source: Building and Safety website

**LANCASTER COUNTY  
HISTORICAL TAXABLE ASSESSED VALUATION**

<u>YEAR</u>	<u>VALUATION</u>	<u>CHANGE</u> <u>AMOUNT</u>	<u>PERCENT</u>
1999-00	10,822,896,923		
2000-01	11,381,932,044	559,035,121	5.17%
2001-02	12,621,053,086	1,239,121,042	10.89%
2002-03	13,081,633,040	460,579,954	3.65%
2003-04	14,958,476,056	1,876,843,016	14.35%
2004-05	15,375,859,915	417,383,859	2.79%
2005-06	15,932,331,879	556,471,964	3.62%
2006-07	18,045,787,841	2,113,455,962	13.27%
2007-08	18,343,871,223	298,083,382	1.65%
2008-09	18,786,286,695	442,415,472	2.41%



**LANCASTER COUNTY  
TEN LARGEST TAXPAYERS**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2007 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Burlington Northern	Railroad	78,797,130	0.43%
ALLTEL Communications Inc.	Telecommunications	77,452,885	0.42%
B & J Partnership	Real Estate	73,263,726	0.40%
Kawasaki	Manufacturing	67,771,007	0.37%
WEA Gateway LLC	Retail Management	59,248,573	0.32%
Pfizer Inc.	Animal Health	56,781,437	0.31%
Ameritas Life Insurance	Insurance	52,204,964	0.28%
Chateau Properties	Real Estate	50,459,982	0.28%
Molex Inc.	Manufacturing	45,981,536	0.25%
NEBCO Inc.	Construction/Development	<u>45,383,551</u>	0.25%
		607,344,791	3.31%

NOTE: The ten largest taxpayers combined are less than five percent of the total valuation.

Source: Lancaster County Assessor

**LANCASTER COUNTY POPULATION**  
(SELECTED YEARS)

<u>YEAR</u>		<u>POPULATION</u>	<u>Change from Preceding Year</u>	
			<u>NUMBER</u>	<u>PERCENT</u>
2007	(estimate)	275,665	3,872	1.42%
2006	(estimate)	271,793	3,222	1.20%
2005	(estimate)	268,571	3,737	1.41%
2004	(estimate)	264,834	2,456	0.94%
2003	(estimate)	262,378	4,136	1.60%
2002	(estimate)	258,242	3,789	1.49%
2001	(estimate)	254,453	4,162	1.66%
2000		250,291	21,564	9.43%
1995	(estimate)	228,727	15,086	7.06%
1990		213,641	20,757	10.76%
1980		192,884	24,912	14.83%
1970		167,972	12,700	8.18%
1960		155,272	35,530	29.67%
1950		119,742	19,157	19.05%
1940		100,585	261	0.26%
1930		100,324		

Source: U.S. Census Bureau

**PROJECTED POPULATION OF COUNTY**

<u>YEAR</u>	<u>POPULATION</u>	<u>Change from Preceding Census</u>	
		<u>NUMBER</u>	<u>PERCENT</u>
2000	250,291		
2030	390,000	139,709	55.82%
2050	527,000	137,000	35.13%

Source: Planning Department Projection, subject to revision

**LANCASTER COUNTY POPULATION BY AGE AND SEX  
2000**

<u>Age</u>	<u>Total</u>	<u>Male</u>	<u>Female</u>
TOTAL POPULATION	250,291	125,029	125,262
UNDER 5 YEARS	16,680	8,445	8,235
5 - 9 YEARS	16,174	8,334	7,840
10 - 14 YEARS	15,944	8,150	7,794
15 - 19 YEARS	20,514	10,289	10,225
20 - 24 YEARS	28,055	14,623	13,432
25 - 29 YEARS	20,187	10,789	9,398
30 - 34 YEARS	18,014	9,475	8,539
35 - 39 YEARS	18,778	9,657	9,121
40 - 44 YEARS	19,141	9,657	9,484
45 - 49 YEARS	17,983	8,943	9,040
50 - 54 YEARS	14,797	7,357	7,440
55 - 59 YEARS	10,297	5,037	5,260
60 - 64 YEARS	7,647	3,701	3,946
65 - 69 YEARS	6,889	3,194	3,695
70 - 74 YEARS	6,441	2,841	3,600
75 - 79 YEARS	5,509	2,237	3,272
80 - 84 YEARS	3,801	1,409	2,392
85 YEARS & OVER	3,440	891	2,549
Median age	32.0		

Source: U. S. Bureau of the Census

## LANCASTER COUNTY EMPLOYMENT HISTORY

The State of Nebraska Department of Labor reports the following labor force data for selected years.

<u>Year</u>	<u>Labor Force</u>	<u>Employment</u>	Lancaster Co. <u>Unemployment</u> <u>Rate</u>	Nebraska <u>Unemployment</u> <u>Rate</u>
2007	158,809	154,337	2.8%	3.0%
2006	156,638	152,222	2.8%	3.0%
2005	156,765	151,169	3.6%	3.9%
2004	156,424	150,942	3.5%	3.9%
2003	155,479	149,787	3.7%	4.0%
2002	151,775	146,841	3.3%	3.7%
2001	152,332	148,246	2.7%	3.1%
2000	149,092	145,542	2.4%	2.8%
1999	145,645	142,160	2.4%	2.9%
1998	145,825	142,558	2.2%	2.7%
1997	143,749	140,533	2.2%	2.6%
1996	143,093	139,441	2.6%	2.9%
1995	138,117	135,008	2.3%	2.6%
1994	133,946	130,733	2.4%	2.9%
1993	130,631	127,453	2.4%	2.8%
1992	127,790	124,498	2.6%	2.9%
1991	125,423	122,450	2.4%	2.6%
1990	123,107	120,464	2.1%	2.3%
1989	124,608	121,517	2.5%	3.1%
1987	122,093	117,833	3.5%	4.9%
1986	120,008	116,152	3.2%	5.0%
1985	116,350	112,209	3.6%	5.4%
1984	113,050	109,530	3.1%	4.4%
1983	110,254	105,519	4.3%	5.7%
1981	110,623	106,477	3.7%	4.1%
1979	109,958	106,738	2.9%	3.2%
1977	109,747	106,475	3.0%	3.7%

Source: Nebraska Department of Labor

**LANCASTER COUNTY  
YEAR END FUND BALANCES**

<b>FUNDS</b>	<b><u>6-30-08</u></b>	<b><u>6-30-07</u></b>	<b><u>6-30-06</u></b>	<b><u>6-30-05</u></b>	<b><u>6-30-04</u></b>
<b>OPERATING:</b>					
GENERAL	12,413,049	11,899,196	9,850,532	10,531,566	10,030,894
BRIDGE & ROAD	1,281,589	1,673,888	1,565,205	939,105	896,036
HIGHWAY	954,474	529,319	347,130	333,750	359,849
LANCASTER MANOR	1,031,383	536,416	681,565	974,921	892,772
MENTAL HEALTH	755,903	462,381	126,068	(3,965)	221,406
WEED CONTROL	65,272	43,972	63,480	57,727	57,809
CO/CITY PROPERTY MGMT	60,381	83,765	52,066	146,140	(134,815)
PROPERTY MANAGEMENT	<u>49,587</u>	<u>(24,766)</u>	<u>(125,025)</u>	<u>(106,007)</u>	<u>(96,725)</u>
<b>TOTAL OPERATING</b>	<b>16,611,638</b>	<b>15,204,171</b>	<b>12,561,021</b>	<b>12,873,237</b>	<b>12,227,226</b>
<b>NON-OPERATING:</b>					
WORKERS COMP LOSS	1,139,285	901,207	577,342	335,113	245,615
OTHER SELF INSURANCE	607,317	748,504	829,768	1,026,839	1,194,612
GROUP SELF INSURANCE	5,407,879	5,562,157	4,857,153	2,768,235	194,876
VISITORS IMPROVEMENT	1,743,922	-	-	-	-
VISITORS PROMOTION	202,225	1,526,665	601,839	1,144	6,474
RURAL LIBRARY	59,553	31,730	14,453	31,428	36,084
VETERANS AID	8,261	18,261	23,261	23,261	23,198
FEDERAL GRANTS	668,072	289,033	(113,685)	572,552	340,746
KENO	1,470,566	1,380,267	678,034	528,265	598,835
ECON DEVELOPMENT	185,752	74,443	275,204	174,595	533,617
RURAL ENTERPRISE ASSIST	-	-	-	97,236	93,515
DEBT SERVICE	1,853,138	1,098,104	34,850	(1,459,257)	2,040,387
BUILDING FUND	39,981	300,581	609,696	464,108	342,903
JAIL SAVINGS FUND	1,143,435	-	-	-	-
FAMILIES FIRST & FOREMOST	-	-	-	3,606,758	1,920,741
CITY BLDG MAINTENANCE	<u>189,547</u>	<u>135,874</u>	<u>93,437</u>	<u>45,124</u>	<u>(30,059)</u>
<b>TOTAL NONOPERATING</b>	<b><u>14,718,933</u></b>	<b><u>12,066,826</u></b>	<b><u>8,481,352</u></b>	<b><u>8,215,401</u></b>	<b><u>7,541,544</u></b>
<b>TOTAL</b>	<b><u>31,330,571</u></b>	<b><u>27,270,997</u></b>	<b><u>21,042,373</u></b>	<b><u>21,088,638</u></b>	<b><u>19,768,770</u></b>

Source: Lancaster County Budget Documents

The year-end fund balances are prepared on a budgetary basis of accounting. The budgetary basis is considered modified accrual because certain receivables and payables are booked at year end on the accounting system.

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**APPENDIX B**

**THE COUNTY OF LANCASTER, NEBRASKA  
ACCOUNTANT'S REPORT AND AUDITED FINANCIAL STATEMENTS**

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**LANCASTER COUNTY, NEBRASKA**  
**BASIC FINANCIAL STATEMENTS**  
**WITH**  
**SUPPLEMENTAL INFORMATION**  
**AND**  
**ACCOMPANYING INDEPENDENT AUDITORS' REPORTS**  
**YEAR ENDED JUNE 30, 2007**

**BLAND & ASSOCIATES, P.C.**  
**Certified Public Accountants**

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**INDEPENDENT AUDITORS' REPORT ON BASIC  
FINANCIAL STATEMENTS AND SUPPLEMENTAL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Board of Commissioners  
Lancaster County, Nebraska

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lancaster County, Nebraska (the County) as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County'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 of the County referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County as of and for the year ended June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity accounting principles generally accepted in the United States of America.

The County has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The budgetary information on pages 44 to 46 is not a part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

**INDEPENDENT AUDITORS' REPORT ON BASIC  
FINANCIAL STATEMENTS AND SUPPLEMENTAL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying supplemental information on pages 50 through 68 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards on pages 47 through 49 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the County. The Schedule of Expenditures of Federal Awards (pages 47 through 49) and Combining Statements – Governmental and Proprietary Funds (pages 50 through 58) have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. We have applied certain limited procedures to the Statements of Accountability (pages 59 through 68), which consisted principally of inquiries of management regarding the methods of measurement and presentation. However, we did not audit the other supplemental information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2008, on our consideration of Lancaster County, Nebraska's internal control over financial reporting and on 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.

Omaha, Nebraska  
January 25, 2008

*Bland & Associates, P.C.*

**LANCASTER COUNTY, NEBRASKA**  
**STATEMENT OF NET ASSETS**  
June 30, 2007

ASSETS	Governmental Activities
<b>CURRENT ASSETS</b>	
Cash, Cash Equivalents, and Investments (Notes A and B)	\$ 39,364,069
Interest Receivable	185,134
Due From Other Governmental Agencies, Less Allowance for Doubtful Accounts of \$179,592 (Note C)	4,764,469
Taxes Receivable (Note A)	21,337,809
Total Current Assets	65,851,481
<b>CAPITAL ASSETS (Notes A and D)</b>	
Non-depreciable Capital Assets	
Land	6,840,540
Construction In Progress	902,908
Total Non-depreciable Capital Assets	7,743,448
Depreciable Capital Assets	
Less Accumulated Depreciation	150,933,016
Total Depreciable Capital Assets	(51,619,719)
Total Capital Assets	107,056,745
<b>OTHER ASSETS</b>	
Debt Issuance Costs, Net of Accumulated Amortization	70,723
	\$ 172,778,949
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES</b>	
Accounts Payable	\$ 4,314,931
Rent Received in Advance	71,109
Deferred Tax Revenue (Note A)	1,894,541
Accrued Interest Payable	78,067
Claims Liability (Note K)	1,185,521
Accrued Salaries	1,408,913
Due to Other Governmental Agencies (Note C)	125,000
Current Portion of Bonds Payable (Note F)	1,135,000
Current Portion of Capital Lease Obligations (Note F)	37,209
Total Current Liabilities	10,250,291
<b>LONG-TERM LIABILITIES</b>	
Accrued Compensated Absences (Notes A and F)	5,237,707
Bonds Payable, Less Current Portion (Note F)	5,715,000
Capital Lease Obligations, Less Current Portion (Note F)	72,288
Total Long-Term Liabilities	11,024,995
Total Liabilities	21,275,286
<b>COMMITMENTS AND CONTINGENCIES (Notes H, K, L, and M)</b>	
<b>NET ASSETS (Note A)</b>	
Invested In Capital Assets, Net of Related Debt	100,097,248
Unrestricted	51,406,415
Total Net Assets	151,503,663
	\$ 172,778,949

The accompanying notes to financial  
statements are an integral part of these statements

**LANCASTER COUNTY, NEBRASKA**  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2007

	Program Revenues			Net (Expenses) Revenues and Change In Net Assets
				Primary Government
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
General Government	\$ 37,719,787	\$ 26,319,905	\$ 2,324,451	\$ (9,075,431)
Public Safety - Law Enforcement	25,775,610	-	-	(25,775,610)
Public Safety - Other	17,575,484	-	-	(17,575,484)
Community Development	1,359,246	150,926	-	(1,208,320)
Public Works	14,498,688	4,989,616	-	(9,509,072)
Public Health and Human Services	33,753,682	25,308,541	2,404,290	(8,040,851)
Culture and Recreation	698,212	750,623	-	52,411
Debt Service Interest	572,853	95,721	-	(477,132)
Total Governmental Activities	\$ 131,863,562	\$ 57,615,332	\$ 4,728,741	(69,609,489)
GENERAL REVENUES				
Taxes				
Property Taxes	56,907,486			
Motor Vehicle Tax	6,669,158			
Inheritance Tax	3,661,348			
Homestead Exemption	1,161,175			
In-lieu-of Tax	1,318,550			
Carline/Airline Tax	395,247			
Insurance Tax	367,077			
MV Prorate Tax	179,206			
Lodging Tax	1,934,826			
State Aid to Counties	750,734			
Investment Income	3,372,351			
Gain on Sale of Capital Assets	35,422			
Total General Revenues	76,652,580			
CHANGE IN NET ASSETS	7,043,091			
NET ASSETS - BEGINNING OF YEAR, As Previously Stated	125,003,411			
PRIOR PERIOD ADJUSTMENT (Note O)	19,457,161			
NET ASSETS - BEGINNING OF YEAR, As Restated	144,460,572			
NET ASSETS - END OF YEAR	\$ 151,503,663			



**LANCASTER COUNTY, NEBRASKA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2007

<b>ASSETS</b>	<b>General Fund (011)</b>	<b>Bridge &amp; Special Road Fund (021)</b>	<b>Lancaster Manor Fund (081)</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Cash, Cash Equivalents, and Investments	\$ 16,002,126	\$ 4,117,665	\$ 1,132,500	\$ 6,332,408	\$ 27,584,699
Due From Other Governmental Agencies	1,680,492	-	1,269,700	1,845,384	4,595,576
Interest Receivable	78,833	13,357	-	17,900	107,890
Taxes Receivable	19,040,576	-	-	2,297,233	21,337,809
	<u>\$ 36,799,827</u>	<u>\$ 4,131,022</u>	<u>\$ 2,402,200</u>	<u>\$ 10,292,925</u>	<u>\$ 53,625,974</u>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ 3,503,993	\$ 91,550	\$ 295,295	\$ 489,236	\$ 4,380,074
Accrued Salaries	779,111	38,609	261,201	249,508	1,328,427
Due To Other Governmental Agencies	-	-	-	125,000	125,000
Total Liabilities	<u>4,283,104</u>	<u>130,159</u>	<u>556,496</u>	<u>863,742</u>	<u>5,833,501</u>
<b>FUND BALANCE</b>					
Unreserved	<u>32,516,723</u>	<u>4,000,863</u>	<u>1,845,704</u>	<u>9,429,183</u>	<u>47,792,473</u>
Total Fund Balance	<u>32,516,723</u>	<u>4,000,863</u>	<u>1,845,704</u>	<u>9,429,183</u>	<u>47,792,473</u>
	<u>\$ 36,799,827</u>	<u>\$ 4,131,022</u>	<u>\$ 2,402,200</u>	<u>\$ 10,292,925</u>	<u>\$ 53,625,974</u>

The accompanying notes to financial  
statements are an integral part of these statements

**LANCASTER COUNTY, NEBRASKA  
RECONCILIATION OF THE BALANCE SHEET -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
June 30, 2007**

Total Fund Balances - Governmental Funds	\$	47,792,473
Amounts reported in the governmental activities in the statement of net assets are different because:		
Capital assets are reported at historical cost, net of accumulated depreciation, on the statement of net assets, including internal service funds.		107,056,745
Debt issuance costs are reported at historical cost, net of accumulated amortization, on the statement of net assets, including internal service funds.		70,723
Internal service funds are used by the County to charge the cost of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.		10,691,682
Property tax revenues, not collected within 60 days of the fiscal year end are not financial resources and, therefore, not reported in the governmental funds.		(1,894,541)
The issuance of bonds payable provides current financial resources to governmental funds, while the repayment of the principal consumes the current financial resources of governmental funds.		(6,850,000)
The following expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Capital lease obligations		(109,497)
Accrued compensated absences		(5,237,707)
Accrued interest payable		(16,215)
		<hr style="width: 100%; border: 0.5px solid black;"/>
<b>Net Assets - Governmental Activities</b>	<b>\$</b>	<b><u>151,503,663</u></b>

**LANCASTER COUNTY, NEBRASKA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2007**

	General Fund (011)	Bridge & Special Road Fund (021)	Lancaster Manor Fund (061)	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 56,283,372	\$ 344	\$ -	\$ 18,104,898	\$ 74,388,614
Charges for Services	13,452,313	521,838	18,237,172	9,716,374	41,927,497
Federal Receipts	2,324,451	-	-	2,404,290	4,728,741
License, Fees and Rental Income	58,291	-	-	1,138,081	1,196,372
Interest Income	2,992,398	109,414	-	46,372	3,148,184
Intergovernmental	1,807,197	-	-	292,194	2,099,391
Other	457,308	19,972	53,747	1,318,028	1,849,055
<b>Total Revenues</b>	<b>77,375,330</b>	<b>651,368</b>	<b>18,290,919</b>	<b>33,020,237</b>	<b>129,337,854</b>
<b>EXPENDITURES</b>					
General Government	68,690,497	-	-	462,126	69,152,623
Community Development	-	-	-	1,359,246	1,359,246
Public Works	-	4,636,542	-	9,862,146	14,498,688
Public Health and Human Services	-	-	16,967,161	16,775,428	33,742,589
Culture and Recreation	-	-	-	698,212	698,212
<b>Total Expenditures</b>	<b>68,690,497</b>	<b>4,636,542</b>	<b>16,967,161</b>	<b>29,157,158</b>	<b>119,451,358</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>8,684,833</b>	<b>(3,985,174)</b>	<b>1,323,758</b>	<b>3,863,079</b>	<b>9,866,496</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Debt Payments	(181,422)	-	-	(585,851)	(767,273)
Operating Transfers In	22,963	5,139,549	2,500	285,299	5,450,311
Operating Transfers Out	(5,424,848)	-	-	(25,463)	(5,450,311)
<b>Total Other Financing Sources (uses)</b>	<b>(5,583,307)</b>	<b>5,139,549</b>	<b>2,500</b>	<b>(328,015)</b>	<b>(767,273)</b>
<b>CHANGE IN FUND BALANCE</b>	<b>3,101,526</b>	<b>1,154,375</b>	<b>1,326,258</b>	<b>3,537,064</b>	<b>9,119,223</b>
<b>FUND BALANCE - BEGINNING OF YEAR, As Previously Stated</b>	<b>28,064,343</b>	<b>2,846,488</b>	<b>519,446</b>	<b>5,601,134</b>	<b>37,031,411</b>
<b>PRIOR PERIOD ADJUSTMENT</b>	<b>1,350,854</b>	<b>-</b>	<b>-</b>	<b>280,985</b>	<b>1,641,839</b>
<b>FUND BALANCE - BEGINNING OF YEAR, As Restated</b>	<b>29,415,197</b>	<b>2,846,488</b>	<b>519,446</b>	<b>5,892,119</b>	<b>38,673,250</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 32,516,723</b>	<b>\$ 4,000,863</b>	<b>\$ 1,845,704</b>	<b>\$ 9,429,183</b>	<b>\$ 47,792,473</b>

The accompanying notes to financial  
statements are an integral part of these statements.

**LANCASTER COUNTY, NEBRASKA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2007**

Net Change in Fund Balances - Total Governmental Funds	\$	9,119,223
Amounts reported in the governmental activities in the statement of activities are different because:		
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlays		5,270,974
Depreciation expense		(3,690,983)
Gain on sale of capital assets		35,422
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consist of:		
Bond payments		1,110,000
Capital lease payments		58,157
Property tax revenues, not collected within 60 days of the fiscal year end are not financial resources and, therefore, are not reported in the governmental funds.		(1,894,541)
Accrued compensated absences are not financial resources and, therefore, are not reported in the governmental funds.		(3,195,112)
Internal service funds are used by the County to charge the costs of certain activities to individual funds. The activities of the internal service funds are included in the governmental activities in the statement of activities, net of depreciation expense and bond payments which are included above.		<u>229,951</u>
<b>Change in Net Assets - Governmental Funds</b>	<b>\$</b>	<b><u>7,043,091</u></b>

**LANCASTER COUNTY, NEBRASKA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2007**

<b>ASSETS</b>	<b>Total Internal Service Funds</b>
<b>CURRENT ASSETS</b>	
Cash and Cash Equivalents	\$ 7,754,397
Due From Other Governmental Agencies	168,893
Investments	4,039,929
Interest Receivable	77,244
Total Current Assets	12,040,463
<b>CAPITAL ASSETS</b>	
Non-depreciable Capital Assets	
Land	500,000
Depreciable Capital Assets	
Buildings and Improvements	6,443,344
Less Accumulated Depreciation	(2,770,638)
Total Capital Assets	4,172,706
<b>OTHER ASSETS</b>	
Debt Issuance Costs, Net of Accumulated Amortization	70,723
	<b>\$ 16,283,892</b>
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES</b>	
Accounts Payable	\$ 12,924
Rent Received in Advance	71,109
Accrued Interest Payable	61,852
Claims Liability	1,185,521
Accrued Salaries	2,419
Current Portion of Bonds Payable	545,000
Total Current Liabilities	1,878,825
<b>LONG-TERM LIABILITIES</b>	
Bonds Payable, Less Current Portion	2,775,000
Total Liabilities	4,653,825
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	852,706
Unrestricted	10,777,361
Total Net Assets	11,630,067
	<b>\$ 16,283,892</b>

The accompanying notes to financial  
statements are an integral part of these statements

**LANCASTER COUNTY, NEBRASKA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2007**

	<b>Total Internal Service Funds</b>
<b>OPERATING REVENUES</b>	
Charges for Services	\$ 11,218,741
Other	69,984
Total Operating Revenues	11,288,725
<b>OPERATING EXPENSES</b>	
Insurance	9,180,988
Contractual	1,232,518
Depreciation	128,867
Wages and Benefits	98,873
Other	88,364
Amortization	10,103
Repairs and Maintenance	2,227
City/County Shared	965
Supplies	597
Travel	101
Total Operating Expenses	10,743,603
Operating Income	545,122
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest on Investments	263,242
Unrealized Loss on Investments	(41,350)
Realized Gain on Investments	2,276
Interest Expense	(145,136)
Total Non-Operating Revenues (Expenses)	79,032
<b>CHANGE IN NET ASSETS</b>	624,154
<b>NET ASSETS - BEGINNING OF YEAR, As Previously Stated</b>	11,805,890
<b>PRIOR PERIOD ADJUSTMENT</b>	(799,977)
<b>NET ASSETS - BEGINNING OF YEAR, As Restated</b>	11,005,913
<b>NET ASSETS - END OF YEAR</b>	\$ 11,630,067

The accompanying notes to financial  
statements are an integral part of these statements

**LANCASTER COUNTY, NEBRASKA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2007**

	<u>Total Internal Service Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Received from User Charges	\$ 11,146,989
Payments for Employee Indemnity	(1,182,626)
Payments for Claims/Insurance	(8,902,413)
Capital Donation	(13,735)
Net Cash Provided By Operating Activities	<u>1,048,215</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Payments on Bonds Payable	(530,000)
Payments of Interest on Bonds Payable	(158,220)
Net Cash Used In Capital and Related Financing Activities	<u>(688,220)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment Income	235,101
Proceeds From Sale of Investments	1,957,705
Purchase of Investments	(1,514,980)
Net Cash Provided By Investing Activities	<u>677,826</u>
Increase In Cash And Cash Equivalents	1,037,821
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>6,716,576</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 7,754,397</u></u>
 <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating Income	\$ 545,122
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities	
Depreciation	128,867
Amortization	10,103
(Increase) Decrease In Current Assets:	
Due From Other Governmental Agencies	(131,235)
Increase (Decrease) In Current Liabilities:	
Accounts Payable	(26,802)
Accrued Salaries	437
Rent Received In Advance	(10,501)
Claims Liability	532,224
Net Cash Provided By Operating Activities	<u><u>\$ 1,048,215</u></u>

**LANCASTER COUNTY, NEBRASKA**  
**STATEMENT OF NET ASSETS**  
**FIDUCIARY FUNDS**  
**June 30, 2007**

<b>ASSETS</b>	<b>Pension Trust Fund</b>	<b>Agency Funds</b>
Cash, Cash Equivalents, and Investments	\$ 89,801,501	\$ 15,057,823
	<u>\$ 89,801,501</u>	<u>\$ 15,057,823</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Due to Governmental Agencies	\$ -	\$ 15,057,823
<b>NET ASSETS</b>		
Held In Trust For Pension Benefits	89,801,501	-
	<u>\$ 89,801,501</u>	<u>\$ 15,057,823</u>

The accompanying notes to financial  
statements are an integral part of these statements



**LANCASTER COUNTY, NEBRASKA**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FIDUCIARY FUNDS**  
**Year Ended June 30, 2007**

	<b>Pension Trust Fund</b>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 2,328,100
Employee	3,650,217
Military Catch-Up	11,699
	5,990,016
Investment Earnings:	
Net Increase in Fair Value of Investments	1,172,477
Interest Income	9,435,726
	10,608,203
Total Additions	16,598,219
<b>DEDUCTIONS</b>	
Benefits	5,253,310
<b>CHANGE IN NET ASSETS</b>	11,344,909
<b>NET ASSETS - BEGINNING OF YEAR</b>	78,456,592
<b>NET ASSETS - END OF YEAR</b>	\$ 89,801,501

The accompanying notes to financial  
statements are an integral part of these statements

**LANCASTER COUNTY, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of the significant accounting policies of Lancaster County, Nebraska (the County), is presented to assist in understanding the County's financial statements. The financial statements and notes are representations of the County's management who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

**Organization and Principal Activity**

The County is a governmental entity established by the laws of the State of Nebraska. The County is a political subdivision of the State of Nebraska and is governed by a five member Board of Commissioners elected by the citizens of Lancaster County, Nebraska. The County's responsibilities include general social welfare; operation of a County health center; corrections; youth center; maintenance of streets and highways not within any incorporated city, village, or sanitary and improvement district; legal court-related activities; licensing, recording, and assessment of real property; tax collection for all Nebraska public entities within the County; conducting elections; and law enforcement.

**Reporting Entity**

The County follows the standards promulgated by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, that define the financial reporting entity as the one consisting of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements include the transactions of the County's primary government, component units, and blended component units, as discussed below.

**Primary Government**

The primary government has a separately elected governing body, is legally separate, and is fiscally independent of other governments. The primary government of the County consists of all the organizations that comprise the legal entity.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Component Units**

Component units are legally separate organizations for which the County is financially accountable and/or for which the nature and significance of their relationship with the County are such that exclusion would cause the financial statements to be misleading or incomplete. The County is considered to be financially accountable for an organization when either:

1. The County appoints a voting majority of the organization governing body and can impose its will on that organization, or
2. There is a potential for the organization to provide specific financial benefit to, or impose specific financial burden on the County.

**Blended Component Unit**

Despite being legally separate, component units that are so intertwined with the primary government that they are, in substance, the same as the primary government are reported as part of the primary government. The criteria for this determination are:

1. The component unit's governing body is substantially the same as the governing body of the primary government, and
2. The component unit provides services entirely or almost entirely to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government by providing services that the primary government would have provided if they were not provided by the component unit.

Based on the criteria above, the County has identified Lancaster Leasing Corporation (the Corporation) as a component unit.

The Corporation exists for the purpose of issuing bonds for the acquisition or construction of facilities, which in turn are leased to the County. Separate audited financial statements of the Corporation are available at the County Clerk's Office, County/City Building, 555 South 10<sup>th</sup> Street, Lincoln, Nebraska 68508.

**Joint Ventures**

The County has entered into two (2) multi-governmental arrangements creating two (2) entities that are governed by representatives from each of the participating governments. These entities are considered to be joint ventures. The County does not have an ongoing financial interest (equity interest); therefore, these joint ventures are not included in the financial statements of the County.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Lincoln-Lancaster County Public Building Commission**

In 1990, the City of Lincoln, Nebraska (the City) and the County, pursuant to State Statute, activated a separate governmental entity designated as the Lincoln-Lancaster County Public Building Commission (the 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.

As of June 30, 2007, the Commission had bonds outstanding of \$48,660,000 attributable to several bond issues. Proceeds from the bonds have been utilized by the Commission to acquire, construct, and/or renovate certain buildings occupied by the City and the County. The County's proportionate share of such buildings is recorded as capital assets on the books of the County.

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

**Lancaster County Fairgrounds Joint Public Agency**

The Lancaster County Fairgrounds Joint Public Agency (the Agency) was established to acquire land and construct capital improvements thereon for the establishment and expansion of the Lancaster County Fairgrounds. The Agency is not accumulating significant financial resources and is not experiencing fiscal stress that could cause an additional financial benefit or burden to the County. The Board consists of five representatives, of whom the Lancaster County Agricultural Society (the Society) appoints three and the County appoints two.

Separate audited financial statements of the Agency, which include the financial statements of the Agency, may be obtained from the Lancaster County Agricultural Society, 4100 North 84<sup>th</sup> Street, Lincoln, Nebraska 68508.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation**

**Basic Financial Statements**

The basic financial statements of the County include the government-wide and the fund financial statements. Prior to implementation of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, the financial statements emphasized fund types and account groups. In the GASB Statement No. 34 reporting model, the focus is on the County as a whole in the government-wide financial statements, while reporting additional and detailed information about the County's major governmental funds in the fund financial statements.

**Government-Wide Financial Statements**

The government-wide financial statements (the statement of net assets and statement of activities) report information on all the non-fiduciary activities of the primary government and its component unit. Governmental activities are normally supported by taxes and intergovernmental revenues. Likewise, the primary government is reported separately from the Lancaster Leasing Corporation for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Fund Financial Statements**

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. Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation (Continued)**

**Fund Financial Statements (Continued)**

An emphasis is placed on major funds within the governmental and proprietary categories. The County considers its primary operating fund to be a major fund as well as those governmental funds that meet the following criteria: total assets, liabilities, revenues, or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all governmental funds combined. Major individual governmental funds are reported as separate columns in the fund financial statements as applicable.

Major fund reporting requirements do not apply to internal service funds. The combined totals for all internal service funds are reported separately in a single column on the face of the proprietary fund financial statements.

The funds of the financial reporting entity are described below:

**Governmental Funds**

**General Fund**

The General Fund is used to account for all activities of the County not included in other specified funds. The General Fund accounts for the normal recurring activities of the County (general government, health services, community services, etc.). These activities are funded primarily by tax revenues.

**Special Revenue Funds**

Special Revenue Funds are used to account for proceeds of the specific revenue sources (other than special assessments or major capital projects) that are legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the County.

**Proprietary Funds**

**Internal Service Funds**

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the County or to other governmental units on a cost-reimbursement basis.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation (Continued)**

*Fiduciary Fund Types*

*Pension Trust Funds*

Pension Trust Funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined contribution plans.

*Agency Funds*

Agency Funds are used to report resources held by the County in a purely custodial capacity. Agency Funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

The County reports the following major governmental funds:

*General Fund* – The General Fund is the County's main operating fund. It accounts for all governmental financial resources, except those required to be accounted for in another fund.

*Bridge & Special Road Fund* – The Bridge & Special Road Fund is the County's bridge and road construction fund. It accounts for the acquisition or construction of infrastructure assets.

*Lancaster Manor Fund* – The Lancaster Manor Fund is the County's retirement home.

**Measurement Focus/Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement Focus/Basis of Accounting (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as 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 period, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures, such as principal and interest on general long-term debt, and claims and judgments, are recognized under the modified accrual basis of accounting when the related liability is due.

The proprietary fund financial statements are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary continuing operations of the fund. Principal operating revenues for proprietary funds are charges to governmental agencies for services.

Principal operating expenses are the costs of services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

**Cash and Cash Equivalents**

For financial statement purposes, all highly liquid investments with original maturities of three months or less, are considered cash equivalents.

**Investments**

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are recorded at fair value. The County's investment policy allows investment in U.S. government obligations and short-term interest bearing investments consisting of certificates of deposit and other income producing securities. It is also the County's policy to report interest earned but not received in a separate account from the principal.



**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Taxes Receivable**

Taxes receivable are all considered collectible by management. Based on prior experience with receipt of taxes, no allowance for doubtful accounts has been provided related to taxes receivable. Tax amounts not received within sixty days are considered deferred revenue in the governmental fund financial statements.

**Capital Assets and Depreciation**

Capital assets are those assets which have been acquired for general government purposes. Capital assets are recorded at historical cost or replacement cost if actual historical cost is not known. Contributed assets, including those from the federal government, are recorded at estimated fair value on the date received. The County's capitalization threshold for equipment, buildings, and infrastructure is \$5,000. Infrastructure assets include roads, bridges, and culverts. Depreciation is calculated using the straight-line method with a mid-month convention.

The estimated useful lives for capital assets are as follows:

	<u>Years</u>
Land improvements	20 - 50
Buildings	25 - 50
Machinery and equipment	5 - 20
Vehicles	8
Infrastructure	20 - 50

The County determined historical infrastructure costs by reference to historical records or by appraisal. Current cost is adjusted for the price change from the date of construction or acquisition to the current date.

**Compensated Absences**

It is the County's policy to permit employees to earn annual vacation and sick leave at various rates during their periods of employment. In the event of termination, an employee is reimbursed for accumulated vacation time up to a maximum carry over of 240 hours. Employees do not receive payment of unused sick leave upon termination of employment except for retirement, death, or if the employee has 15 years of service and has in excess of 1,000 hours of extended sick leave.

**Net Assets**

Invested in capital assets, net of related debt - This component of net assets consists of capital assets net of accumulated depreciation and net of outstanding balances of any debts used to finance those assets.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Net Assets (Continued)**

Restricted net assets – This component of net assets may be used only to finance specific types of transactions. Restricted net assets represent the balance of restricted assets less the outstanding balances of any liabilities that will be settled using the restricted assets. There were no restricted net assets at June 30, 2007.

Unrestricted net assets – This component of net assets does not meet the definition of either net assets invested in capital assets, net of related debt or restricted net assets.

**Fund Balance**

Governmental fund equity is classified as fund balance. Fund balances can be reserved, unreserved-designated, and unreserved-undesignated. The portion of the fund balance that has been committed for identified purposes is reserved fund balance.

**Property Taxes**

Based on the valuation as of January 1, property taxes are levied by the County Board on or before October 15 of each year for all political subdivisions in the County. Real estate and personal property taxes are due December 31 of the year in which the property is appraised. One-half of the taxes become delinquent April 1 and August 1 of the following year.

The County collects its own property taxes and those of certain other taxing entities. Collections of the taxes for others, pending distribution, are accounted for in agency funds.

Counties are permitted by the State Constitution to levy a tax up to \$0.50 per \$100 of assessed valuation for general governmental services other than the payment of principal and interest on bonded debt. They may levy taxes in addition to the \$0.50 limitation upon a vote of the people. The tax levy remained below the \$0.50 limitation for 2007.

Also, \$0.05 of the \$0.50 limit may only be levied to provide services offered jointly with another government under an interlocal agreement. The County may share \$0.15 of its levy authority with rural fire districts and other political subdivisions no longer having any levy authority.

Additionally, the legislature, as part of a property tax relief package, prohibited counties from adopting a budget containing "restricted funds" which are greater than 2.5% of the prior year budgeted restricted funds, plus the percentage change in valuation increase attributable to new construction and additions to buildings in excess of 2.5%. Restricted funds include property taxes, payments in-lieu-of taxes, and state aid less amounts budgeted for capital improvements and bonded indebtedness.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental fund types.

At the end of each budget period, unencumbered, unexpended appropriations lapse. Appropriations in the governmental fund types are charges for encumbrances when commitments are made. Fund balances are reserved for outstanding encumbrances, which serve as authorization for expenditures in the subsequent year. There were no encumbrances as of June 30, 2007.

**Income Taxes**

The County qualifies as a tax-exempt organization under Section 115 of the Internal Revenue Code. Accordingly, no provision for income taxes is required.

**Budgets and Budgetary Accounting**

The County follows the procedures described below in establishing the budgetary data reflected in the County's financial statements in accordance with the statutory requirements of the Nebraska Budget Act.

On or before August 1, the County Board of Commissioners prepares and transmits a budget for the County showing the projected requirements, outstanding warrants, operating reserve, cash on hand at the close of the preceding fiscal year, projected revenue collected from sources other than property tax and amounts to be raised by property taxation.

The budget is prepared on the cash basis of accounting. Encumbrances are also reflected as expenditures for budgetary purposes. At least one public hearing must be held by the County Board of Commissioners.

On or before September 20 each year, the County Board of Commissioners, after the action of the State Board of Equalization and Assessment has been certified to the County Clerk, the budget, as revised, is adopted and the amounts provide therein are appropriated.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Internal Activities**

When internal service funds are reported in the government-wide statements of activities, only their residual balances are reported. Eliminations are made in the statement of activities to remove the "doubling-up" effect on internal service fund activity. However, there are situations in which an internal service fund may have revenues and expenses that should not be considered internal. It happens when an internal service fund, for example, has transactions with organizations outside the primary government. Accordingly, these are not eliminated in the statement of activities. Rather, the revenues and expenses are reported in the general administrative function of the government. The County's internal service funds have transactions that are primarily with outside organizations and therefore, no eliminations are required.

**Interfund Activity**

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Transfers between governmental funds or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

**Use of Estimates**

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates employed.

**NOTE B - CONCENTRATION OF CREDIT RISK**

**Deposits**

As of June 30, 2007, the carrying amount, which approximates fair value, of the Corporation's investments was \$28,128,099. The investments consisted of certificates of deposit, U.S. Government Securities, and Federal Home Loan Bank Notes. These securities are held in the County's name.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE B - CONCENTRATION OF CREDIT RISK (Continued)**

**Deposits (Continued)**

The Public Funds Deposit Security Act, State Statute Sections 77-2386 to 77-23,106, require banks either to give bonds or to pledge government securities (types of which are specifically identified in the Statutes) to the County Treasurer in the amount of the County's deposits.

The Statutes allow pledged securities to be reduced by the amount of the deposit insured by the Federal Deposit Insurance Corporation (FDIC).

The County has pooled the cash resources of the various funds for investment purposes. Each fund's portion of total cash and investments is summarized by fund type on the combining balance sheets. Interest earned on pooled funds, except for interest earned on the pension trust, is credited to the County General Fund in accordance with Nebraska State Statute Section 77-2315, R.R.S. 1943.

At June 30, 2007, the County's cash deposits or certificates of deposit, in excess of the \$100,000 FDIC limits, are covered by collateral held in a Federal Reserve pledge account or by an agent for the County and thus no custodial risk exists.

Cash and investments consisted of the following as of June 30, 2007:

<u>Cash and Cash Equivalents</u>	<u>Carrying</u>	<u>Fair Value</u>
Cash and cash equivalents owned by the County	\$39,364,069	\$ 39,364,069
Cash and cash equivalents held in trust by the County	<u>15,057,823</u>	<u>15,057,823</u>
Total cash and cash equivalents owned and held in trust by the County	<u>\$54,421,892</u>	<u>\$ 54,421,892</u>

**Investments**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investment securities that are in the possession of an outside party. None of the underlying securities for the County's investments at June 30, 2007 are subject to custodial credit risk, as they are held in an account in the County's name, and by an agent who is not the counterparty to the investment transactions.

Nebraska State Statute Section 77-2315 authorizes the County Treasurer, with the consent of the County Board, to invest in U.S. Government bonds, bonds and debentures issued either singularly or collectively by any of the twelve federal land banks, the twelve intermediate credit banks, or the thirteen banks for cooperatives under the supervision of the Farm Credit Administration, United States Treasury notes, bills or certificates of indebtedness maturing within two years from the date of purchase, or in certificates of deposit.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE B - CONCENTRATION OF CREDIT RISK (Continued)**

**Investments (Continued)**

*Interest rate risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with State law and its investment policy, the County manages its exposure to declines in fair values by changes in interest rates by limiting all investments to maturities of two years or less. The current weighted average maturity of the County's investment portfolio is less than three months.

*Credit risk* is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. County policy addresses credit risk by requiring ownership in federal securities for all investments greater than the \$100,000 FDIC insured amount. The external investment funds are comprised of Nebraska Public Agency Trust (NPAIT) and Short-Term Federal Investment Trust (STFIT). NPAIT and STFIT invest in only the highest quality securities, including U.S. Government sponsored agencies, and guaranteed student loans.

*Concentration of credit risk* is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The County's investment policy places no limits on the amount the County may invest in any one user. Concentration of risk is not an issue since all investments are covered by issuer's assets held in the name of the County.

*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 County's deposit policy for custodial credit risk requires compliance with the provisions of state law.

**Pension Trust Fund**

The pension program operates in compliance with all state and federal statutes, particularly Nebraska State Statute 30-3209. County pension funds are invested according to a plan developed and reviewed annually by the County. The plan defines the purposes of the assets, identifies the parties responsible for managing the investment process, establishes both broad and specific written guidelines for the investment of the fund's assets, and establishes criteria to monitor and evaluate the performance of the investment managers. The plan authorizes investments in common and preferred stocks, corporate bonds, cash-equivalent securities, certificates of deposits of insured institutions, money market funds, and government bonds. They can be in mutual funds or privately managed accounts.

There are fixed income securities guidelines: maximum of 2% of any single corporate issuer and 5% for other issuers; no limit on fixed income treasury or agency issues of the U.S. government. Investments in the employees' retirement system are valued at the carried amount, which approximates fair value. The County's financial statements are prepared using the accrual basis of accounting. Employer and plan member contributions are recognized in the period that the contributions are due.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE B - CONCENTRATION OF CREDIT RISK (Continued)**

**Pension Trust Fund (Continued)**

At June 30, 2007, the balances of investments in the employees' retirement system were \$89,801,501. The County's allocation of investments is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Concentration</u>
Cash	\$ 48,991	0.05%
Guaranteed investment contracts	29,055,257	32.36%
Government bonds	1,550,505	1.73%
Mutual funds	16,488,552	18.36%
International equities	13,424,446	14.95%
Domestic equities	29,233,750	32.55%
Total	<u>\$ 89,801,501</u>	<u>100.00%</u>

**NOTE C - DUE FROM/TO OTHER GOVERNMENTAL AGENCIES**

**Due From Other Governmental Agencies**

Due from other governmental agencies are all considered collectible by management except for patient receivables of the County's Community Mental Health Center. All patient and insurance receivables are shown net of an allowance for doubtful accounts. Patient and insurance receivables in excess of 30 days totaling \$179,592 comprise the allowance for doubtful accounts.

**Due To Other Governmental Agencies**

Due to other governmental agencies consisted of amounts due to the Commission amounting to \$125,000 at June 30, 2007.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE D - CAPITAL ASSETS**

The changes in capital assets designated for the operation of the County for the year ended June 30, 2007, are as follows:

	Balance (as restated) June 30, 2006	Additions	Deletions	Balance June 30, 2007
<b>Non-depreciable capital assets</b>				
Land	\$ 6,634,569	\$ 205,971	\$ -	\$ 6,840,540
Construction in progress	896,662	6,246	-	902,908
<b>Depreciable capital assets</b>				
Land improvements	1,615,677	941,700	-	2,557,377
Buildings	72,965,972	-	-	72,965,972
Machinery and equipment	7,087,493	620,430	(327,323)	7,380,600
Vehicles	8,843,461	406,521	(284,776)	8,965,206
Infrastructure	56,310,293	4,323,262	(1,569,694)	59,063,861
	<u>146,822,896</u>	<u>6,291,913</u>	<u>(2,181,793)</u>	<u>150,933,016</u>
Accumulated depreciation	(48,877,373)	(3,690,983)	948,637	(51,619,719)
	<u>97,945,523</u>	<u>2,600,930</u>	<u>(1,233,156)</u>	<u>99,313,297</u>
	<u>\$105,476,754</u>	<u>\$2,813,147</u>	<u>\$(1,233,156)</u>	<u>\$107,056,745</u>

During the year ended June 30, 2007, the City annexed a bridge from the County with a cost of \$566,277; this bridge had been fully depreciated.

The following is a reconciliation of invested in capital assets, net of related debt:

Capital assets net of accumulated depreciation	\$ 107,056,745
Related debt	<u>(6,959,497)</u>
Invested in capital assets, net of related debt	<u>\$ 100,097,248</u>

Depreciation expense was charged to functions as follows:

<b>Governmental activities:</b>	
General Government	\$ 2,688,987
Public Works	706,580
Public Health and Human Services	<u>295,416</u>
Total Depreciation Expense	<u>\$ 3,690,983</u>



**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE E - IRREVOCABLE LETTERS OF CREDIT**

The County had two irrevocable letters of credit for \$3,000,000 and \$300,000 with a financing institution which had no activity during the current year and had no outstanding balance at June 30, 2007. The letters of credit agreements expired August 10, 2007 and July 31, 2007, respectively.

**NOTE F - LONG-TERM LIABILITES**

**Capital Lease Obligations**

The County has entered into several capital lease agreements for equipment and vehicles with monthly installments of \$1,315 to \$4,163 with interest rates ranging from 3.15% to 3.65%. Assets under capital leases totaled \$410,000 with related accumulated depreciation of \$267,965 at June 30, 2007.

**Bonds Payable**

Bonds payable as of June 30, 2007, are summarized as follows:

\$7,145,000 Tax Supported Lease Rental Bonds, Series 1998, issued October 3, 1998, payable in scheduled semiannual installments including principal amounts ranging between \$265,000 to \$335,000 plus interest, due on July 15, and January 15, commencing July 15, 1998, with interest ranging from 4.0% to 4.5%, final payment due July 15, 2012.	\$ 3,320,000
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\$4,840,000 Limited Tax Building Bonds, Series 2004, issued June 30, 2004, payable in scheduled semiannual installments including principal amounts ranging between \$320,000 to \$610,000 plus interest, due on May 1 and November 1, commencing November 1, 2005, with interest ranging from 1.65% to 4.00%, final payment due November 1, 2014.	
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	3,530,000
Total bonds payable	6,850,000
Less current portion	(1,135,000)
	\$ 5,715,000

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE F - LONG-TERM LIABILITES (Continued)**

Change in long-term obligations for the year ended June 30, 2007 was as follows:

<u>Governmental-type Activity:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Capital Lease Agreements	\$ 167,654	\$ -	\$ (58,157)	\$ 109,497	\$ 37,209
Bonds Payable	<u>7,960,000</u>	<u>-</u>	<u>(1,110,000)</u>	<u>6,850,000</u>	<u>1,135,000</u>
	8,127,654	-	(1,168,157)	6,959,497	1,172,209
Compensated Absences	<u>4,474,508</u>	<u>763,200</u>	<u>-</u>	<u>5,237,707</u>	<u>-</u>
Governmental-type Activity Long-Term Liabilities	<u>\$ 12,602,162</u>	<u>\$ 763,200</u>	<u>\$ (1,168,157)</u>	<u>\$ 12,197,204</u>	<u>\$ 1,172,209</u>

At June 30, 2007, future maturities of long-term debt and related interest, for the succeeding fiscal years for governmental type funds are as follows:

<u>Year ending June 30,</u>	<u>Principal payments</u>	<u>Interest payments</u>
2008	\$ 1,172,209	\$ 250,320
2009	1,206,277	209,784
2010	1,219,823	166,191
2011	955,331	124,831
2012	1,000,857	85,363
2013 - 2015	<u>1,405,000</u>	<u>72,301</u>
Total	<u>\$ 6,959,497</u>	<u>\$ 908,790</u>

**NOTE G - INTERFUND TRANSFERS**

Transfers are related to funding for capital projects, lease payments, debt service, or reallocations of special revenues. The following schedule briefly summarizes the County's transfer activity:

		<u>Transfers In</u>				
		<u>General Fund</u>	<u>Bridges &amp; Special Road Fund</u>	<u>Lancaster Manor Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Transfers Out	General Fund	\$ -	\$5,139,549	\$ -	\$ 285,299	\$5,424,848
	Bridges & Special Road Fund	-	-	-	-	-
	Lancaster Manor Fund	-	-	-	-	-
	Other Governmental Funds	<u>22,963</u>	<u>-</u>	<u>2,500</u>	<u>-</u>	<u>25,463</u>
		<u>\$ 22,963</u>	<u>\$5,139,549</u>	<u>\$ 2,500</u>	<u>\$ 285,299</u>	<u>\$5,450,311</u>

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE H - LEASES**

**Operating Leases**

The County leases the County/City Building, the 233 Building, the K Street Power Plant, the Justice and Law Enforcement, the 9<sup>th</sup> and J Building, and parking spaces at no cost to the Commission. The Commission uses the premises for the purpose of providing space to the City and County departments, agencies, and functions. The Commission is responsible for furnishing services, including heat, water, electricity, air conditioning, elevator service, cleaning services and maintenance, and repair to the City and County departments inhabiting the space. The costs to the Commission are funded through charges to the inhabitants based upon the number of square feet of space allocated annually. The amount charged to the inhabitants is based on total expenditures incurred in the previous year. These charges are then allocated based on square footage held by the inhabitant. This is done each year. The County paid rent reimbursement of \$3,732,430 to the Commission for the year ended June 30, 2007. The leases for the County/City Building, the 233 Building and parking space continue until all of the bonds have been fully paid and are no longer outstanding. The lease for the K Street Power Plant expires on October 15, 2014.

The Community Mental Health Center (a special revenue fund of the County) maintains month-to-month operating leases for various apartments used to house the mentally ill, as well as office space used for operations. Lease expenditures paid were approximately \$75,320 for the year ended June 30, 2007.

**Lancaster Manor Lease Agreement**

The Corporation contracted with the County for the lease of the property known as Lancaster Manor. The contract requires lease payments in the amount necessary to satisfy the bond and interest requirements. The lease payments received during the year ended June 30, 2007 were enough to cover the interest requirements, but not the bond principal requirements. The contract provides that the Corporation shall retain title to the building and land until the bonds are paid in full. Upon retirement of the bonds, the building and land becomes the property of the County. All contract payments are assigned to Wells Fargo as paying agent of the outstanding bonds and interest. The bonds maturing on or after January 15, 2007 are subject to redemption prior to maturing at the option of the Corporation.

The minimum rental payments are required by the lease agreement unless sufficient funds exist in restricted cash and investment accounts, whereby, the County may abate the minimum rental payments. Required minimum rental payments for the year ended June 30, 2007 were partially abated in accordance with the lease agreement. Due to the partial abatement of rental payments for the year ended June 30, 2007, this lease is treated by the Corporation as an operating lease in accordance with Financial Accounting Standards Board (FASB) Statement No. 13, *Accounting for Leases*.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE H - LEASES (Continued)**

The following are the future minimum rental payments required under the terms of the lease:

<u>Year Ending June 30,</u>	
2008	\$ 681,820
2009	684,303
2010	685,295
2011	684,643
2012	692,076
Thereafter	<u>342,538</u>
Total Minimum Payments Required	<u>\$ 3,770,675</u>

**NOTE I - EMPLOYEES' RETIREMENT SYSTEM**

The County Board of Commissioners has adopted the provisions of Section 23-1118, R.R.S. 1943, a Nebraska State Statute, which provides any county that has a population of more than 100,000 inhabitants, the authority to provide retirement benefits to its employees and to establish a fully funded, single-employer, defined contribution retirement plan, the Lancaster County Nebraska Employees' Retirement Plan (the Plan).

The Plan automatically covers substantially all regular employees who have attained age 25 and completed one year of continuous service. Upon attaining age 21 and after completing six months of continuous service, employees may voluntarily enter the Plan. The employee has the choice of whether or not to participate in the Plan if the employee has attained the age of 55 prior to the date of employment. The County is required to contribute 150% of each participant's mandatory contribution. The participant's mandatory contribution is 5.2% of the participant's salary. The combined contributions cannot exceed 13% of earned income. At June 30, 2007, there were 1,418 plan members.

Several different payment options, based upon the full accumulated value of participant contributions and the vested portion of employer contributions, are available to the participant upon death, disability, normal retirement at age 60, or early retirement at age 55 with ten consecutive years of participation in the Plan.

The employee and employer contributions are maintained in separate accounts. The employee account is always fully vested. The employer account vests at 20 percent per year for years three through seven in the Plan. For the year ended June 30, 2007, employees contributed \$2,328,100 and the County contributed \$3,650,217, which includes employee forfeitures, to the Plan. A final category represents deposits made to the plan other than normal payroll deferrals and employee benefits, which could include loan repayments or rollover deposits, comprises the remaining balance of total contributions.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE J - POST-EMPLOYMENT BENEFITS**

The Lancaster County post-employment health program was established in September 1998 as a defined contribution plan to enable the County to set aside monies for employees, based upon employee group, to use for qualified medical expenses after termination. At June 30, 2007, there were approximately 1,200 plan members. Contributions by the County are based upon amounts expressly stated in Union contracts by tier status of employee. Total employer contributions during fiscal year 2007 were \$1,141,167. The employee is not required to contribute to the trust fund. The money is paid to an account in the employee's name on a "pay as you go" basis. The employee accounts are administered by Nationwide Investment Corporation. Plan investments are reported at fair value.

After six months of employment with the County, employees in four of the six employee groups are automatically enrolled in the program at no cost to the employee. The qualification for this program is listed under the Internal Revenue Code 510(c)(9). All contributions and expenditures are outlined in the Trust Agreement and Participation Agreement and may change from time to time to comply with the changes in the Trust Agreement or tax code.

**NOTE K - RISK MANAGEMENT**

The County 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 natural disasters. These risks of loss are covered by various commercial insurance policies (with various deductibles) with the exception of workers' compensation and general liability. The County has established the Workers' Compensation Loss Fund Other and Self-Insurance Loss Funds (proprietary funds) to account for and finance a portion of its uninsured risks of loss. The County is self-insured up to \$600,000 per occurrence for workers' compensation risks and up to \$250,000 per occurrence for general liability risks. The self-insurance programs are administered by the Workers' Compensation and Risk Management Manager. Settled claims have not exceeded commercial coverage in any of the last three years. Commercial insurance covers the excess of the self-insured amount to a maximum of \$1,000,000 for employers' liability, current statutory limits of \$2,000,000 for workers' compensation and \$5,000,000 for general liability.

The County utilizes the services of an actuary to prepare an analysis of the self-insured workers' compensation and general liability risks. The analysis is used to assist the County with its financial planning, budgeting, and management of the self-insurance programs. The programs are funded on a cash basis with annual premiums charged to all governmental fund types, except Lancaster Manor Fund, based on past experience of incurred losses and remitted to the Workers' Compensation Loss and Self-Insurance Proprietary Funds.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE K - RISK MANAGEMENT (Continued)**

FASB Statement No. 5, *Accounting for Contingencies* requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The County has not purchased annuity contracts from commercial insurers to satisfy certain liabilities under workers' compensation or general liability claims. The estimated liability for claims is \$1,185,521 at June 30, 2007. For some of the claims deemed probable or certain, no liability could be estimated. Not included in these estimates are an estimated \$58,576 related to claims that were incurred after year end but before January 25, 2008.

**NOTE L - COMMITMENTS AND CONTINGENT LIABILITIES**

Several claims were filed against the County relating to several wrongful death lawsuits, injuries, and medical expenses. In management's opinion, it is premature at this time to determine the likelihood of an unfavorable outcome or the range of potential loss on these claims.

The Lancaster Manor (a special revenue fund of the County) is not part of the Workers' Compensation Loss Fund and pays its claims on a cash basis. As of June 30, 2007 the Lancaster Manor had no liability related to contingent liabilities. The County has not set aside funds to cover this estimated liability and will pay them when and if these claims come due. For claims deemed probable or certain, no liability could be estimated.

**NOTE M - CONDUIT DEBT**

The County has participated in the following conduit debt arrangements:

Hospital Authority No. 1 - Bryan LGH Medical Center

Lancaster County has issued Revenue Refinancing Bonds, for \$35,750,000 to refinance the Series 1988 bonds. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$14,970,000.

Hospital Authority No. 1 - Lincoln Medical Education Foundation, Inc.

Lancaster County has issued Industrial Development Revenue Bonds for \$4,250,000 to finance a portion of the costs of the acquisition, construction, equipping and installing healthcare and related facilities. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$1,420,000.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE M - CONDUIT DEBT (Continued)**

Hospital Authority No. 1 - Lincoln/Lancaster Drug Projects

Lancaster County has issued Industrial Development Revenue Bonds for \$1,515,000 to acquire and renovate a facility to be occupied by Center Pointe, a substance abuse center. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$1,250,000.

Hospital Authority No. 1 - Bryan LGH Medical Center

Lancaster County has issued Industrial Development Revenue Bonds for \$33,980,000 to pay for the cost of constructing, acquiring, equipping and furnishing certain capital improvements to the hospital's facilities. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$23,080,000.

Hospital Authority No. 1 - Dialysis Center (Series 2000)

Lancaster County has issued Industrial Development Revenue Bonds for \$950,000 to provide for payment of principal and interest on the 1996 bonds and to pay a portion of the costs of acquiring equipment and furnishing for a 12 station hemodialysis facility located at 4911 North 26<sup>th</sup> Street, Lincoln, Nebraska. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$400,000.

Hospital Authority No. 1 - Eastmont Towers Project (Series 2004)

Lancaster County has issued Industrial Development Revenue and Refunding Bonds not to exceed \$4,255,000 to refund the Series 1999 Revenue Bonds (Eastmont Towers Project) for both the project and facilities located at 6315 "O" Street, Lincoln, Nebraska. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$3,960,000.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE M - CONDUIT DEBT (Continued)**

Hospital Authority No. 1 - Immanuel Retirement Communities (Series 2000A)

Lancaster County has issued Variable Rate Health Facility Revenue Bonds for \$37,000,000 to finance the cost of purchasing, constructing, acquiring and improving a healthcare and residential facility for the elderly owned by Immanuel Retirement Communities. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$33,530,000.

Hospital Authority - Bryan LOH (Series 2001A)

Lancaster County has issued Hospital Revenue Bonds for \$78,380,000 to be used for the Bryan LGH Medical Center Project. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$76,245,000.

Hospital Authority - Development Services of Nebraska (Series 2001)

Lancaster County has issued Industrial Development Revenue Bonds for \$1,400,000 to finance healthcare facilities to be located at 8125 Joshua Drive, 1720 Timber Ridge Road and 5001 North 57<sup>th</sup> Street. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$981,273.

Tabitha, Inc. (Series 2001)

Lancaster County has issued Industrial Development Revenue Bonds for \$1,389,000 to be used for the acquisition, construction and equipping of improvements and additions to healthcare facilities owned and operated by Tabitha, Inc. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$796,371.



**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE M - CONDUIT DEBT (Continued)**

Plastic Companies Enterprises, Inc. (Series 2002)

Lancaster County has issued Industrial Development Revenue Bonds not to exceed \$1,300,000 to defray all or a portion of the cost of acquiring, and installing certain equipment for the molding of plastics and related necessary and appropriate equipment and facilities located in Lancaster County, Nebraska and operated by Plastic Companies Enterprises, Inc., a Texas corporation and its wholly-owned subsidiaries, Geist Manufacturing Corp. and Heinke Technology, Inc. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$543,921.

Hospital Authority No. 1 - Tabitha, Inc. Project (Series 2003)

Lancaster County has issued Industrial Development Revenue Bonds, not to exceed \$4,000,000, to acquire, construct and equip improvements and additions to health care facilities owned and operated by Tabitha, Inc. for facilities located at 4720 Randolph Street, Lincoln, Nebraska. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$2,883,706.

Hospital Authority No. 1 - Madonna Rehabilitation Project (Series 2003 A, B, & C)

Lancaster County has issued Industrial Development Revenue and Refunding Bonds, not to exceed \$10,000,000, for the purpose of providing financing for the acquisition and installation of equipment and related remodeling for use by Madonna at its rehabilitation facilities. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$5,905,000.

Hospital Authority No. 1 - Bryan LGH Medical Center Project (Series 2002)

Lancaster County has issued Industrial Development Revenue Bonds not to exceed \$45,000,000 for the benefit of Bryan LGH Medical Center, the general functional description of the type and use of the project being the acquisition and installation of equipment and related remodeling for use by Bryan LGH Medical Center at its acute care hospital facilities. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$34,455,000.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE M - CONDUIT DEBT (Continued)**

Hospital Authority No.1 - Grand Lodge Project (Series 2003)

Lancaster County has issued Industrial Development Revenue Bonds for \$9,700,000 for the Grand Lodge Project, Grand Lodge Retirement Community, Inc., an ancillary care facility. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$9,150,761.

Hospital Authority No. 1 - Bryan LGH Medical Center (Series 1996)

Lancaster County has issued Industrial Development Revenue Bonds for \$34,725,000 to finance a portion of the acquisition expenses by Bryan LGH Medical Center of certain assets of Lincoln General Hospital, to pay for routine capital expenditures of Lincoln General Hospital, to pay the premium on the bond insurance policy and to pay certain costs incurred in connection with the issuance of the 1997B bonds. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$34,725,000.

Lincoln Action Program (Series 1999)

Lancaster County has issued Industrial Development Revenue Bonds for \$2,500,000 to finance the construction of the new facility for lease to the Lincoln Action Program. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$2,200,000.

Goodwill Industries (Series 1999)

Lancaster County has issued Industrial Development Revenue Bonds for \$500,000 to acquire and construct an industrial warehouse facility and remodel office space and related improvements. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$282,676.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE M - CONDUIT DEBT (Continued)**

Gamer Industries (Series 2000 A and B)

Lancaster County has issued Industrial Development Revenue Bonds for \$6,500,000 for the acquisition, construction, installation and completion of land and depreciable property for a manufacturing project for Gamer Industries, Inc. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$4,905,000.

Hospital Authority No. 1 - Child Guidance Project (Series 2003)

Lancaster County has issued Industrial Development Revenue and Refunding Bonds not to exceed \$1,300,000 for the purpose of providing financing for the Lincoln/Lancaster County Child Guidance Center, Inc. Project. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$832,270.

Hospital Authority No.1 - Cornhusker Place Project (Series 2003)

Lancaster County has issued Industrial Development Revenue and Refunding Bonds not to exceed \$2,200,000 to refinance existing debt and to make improvements to the facility located at 721 "K" Street, Lincoln, Nebraska. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$1,350,268.

Hospital Authority No.1 - CenterPointe Project (Series 2004)

Lancaster County has issued Industrial Development Revenue and Refunding Bonds not to exceed \$2,300,000 to finance the cost of acquiring certain real property and paying the costs of construction, installation, equipping and furnishing a building on such real property for the CenterPointe project. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$2,194,086.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE M - CONDUIT DEBT (Continued)**

Hospital Authority No. 1 - Madonna Rehabilitation Project (Series 2004)

Lancaster County has issued Industrial Development Revenue and Refunding Bonds not to exceed \$9,000,000 to finance the acquisition, construction, equipping and furnishing of a clinically integrated health center facility between 53<sup>rd</sup> and 54<sup>th</sup> and Pine Lake Road in Lincoln, Nebraska. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$7,853,355.

Hospital Authority No. 1 - Cornhusker Place (Series 2005)

Lancaster County has issued Industrial Development Revenue and Refunding Bonds not to exceed \$450,000 to finance the extension of the bonds issued to refinance existing debt and to make improvements to the facility located at 721 "K" Street, Lincoln, Nebraska. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$341,109.

Hospital Authority No. 1 - Clark Jeary Home Project (2005)

Lancaster County has issued Industrial Development Revenue and Refunding Bonds, not to exceed \$7,000,000 to finance a portion of the costs of acquiring, construction, equipping and furnishing an assisted living facility owned and operated by Clark Jeary at 8401 South 33<sup>rd</sup> Street, Lincoln, Nebraska. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$6,890,763.

Hospital Authority No. 1 - Eastmont Towers (2007)

Lancaster County has issued Industrial Development Revenue and Refunding Bonds, not to exceed \$2,800,000 to enable the Authority to finance renovations and additions to the facilities of Christian Retirement Homes (Eastmont Towers), and to reimburse CRH for costs previously incurred for such activities. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$2,700,000.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE M - CONDUIT DEBT (Continued)**

Hospital Authority No. 1 - St. Monica's Home (Series 2006)

Lancaster County has issued Industrial Development Revenue and Refunding Bonds, not to exceed \$2,000,000 to finance or refinance the costs of acquiring, renovating, remodeling, equipping and furnishing certain healthcare facilities to be owned and operated by St. Monica's Home located at 120 Wedgewood Drive, Lincoln, Nebraska. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$2,000,000.

Hospital Authority No. 1 - Community Blood Bank Lancaster County Medical Society (Series 2007)

Lancaster County has issued Revenue Bonds, for \$1,950,000 for the Community Blood Bank of Lancaster County Medical Society project, the medical services facilities, to be located at 100 N 84<sup>th</sup> Street. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$1,950,000.

Hospital Authority No. 1 - Bryan LGH Medical Center Project (Series 2006)

Lancaster County has issued Industrial Development Revenue Bonds, not to exceed \$59,465,000, for the benefit of Bryan LGH Medical Center. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$58,020,000.

Hospital Authority No. 1 - Bryan LGH Medical Center Project (Series 2007A1)

Lancaster County has issued Industrial Development Revenue Bonds, not to exceed \$90,000,000, for the benefit of Bryan LGH Medical Center. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$41,925,000.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE M - CONDUIT DEBT (Continued)**

Hospital Authority No. 1 - Bryan LGH Medical Center Project (Series 2007A2)

Lancaster County has issued Industrial Development Revenue Bonds, not to exceed \$90,00,000, for the benefit of Bryan LGH Medical Center. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$41,925,000.

Hospital Authority No. 1 - Clark Jeary Home Project (Series 2007)

Lancaster County has issued Industrial Development Revenue and Refunding Bonds, not to exceed \$1,000,000, to finance a portion of the costs of acquiring, construction, equipping, and furnishing an assisted living facility owned and operated by Clark Jeary at 8401 S. 33<sup>rd</sup> Street, Lincoln, Nebraska. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$900,000.

Hospital Authority No. 1 - Community Blood Bank Lancaster County Medical Society (Series 2006)

Lancaster County has issued Revenue Bonds, for \$1,800,000 for the Community Blood Bank of Lancaster County Medical Society project, the medical services facilities, to be located at 2700 Fletcher Avenue, Lincoln, Nebraska. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the aggregate principal amount payable was \$1,200,000

**NOTE N - FUND DEFICITS**

The County Property Management Fund had a fund balance deficit of \$323 within the Governmental Activities at June 30, 2007.

**NOTE O - PRIOR PERIOD ADJUSTMENT**

The accompanying financial statements reflect the following prior period adjustments for net assets and fund balances. Adjustments to net assets were related to capital assets not recorded in the prior year and an overstatement of bonds payable, deferred revenue not having been recorded related to taxes receivable, and compensated absences not previously recorded.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2007**

**NOTE O - PRIOR PERIOD ADJUSTMENT (Continued)**

To correct for these errors, beginning net assets were increased by \$19,457,161. As a result, the beginning net assets of \$125,003,411, as originally reported, have been increased to \$144,460,572. The changes to beginning net assets are as follows:

	Beginning balance, as previously stated	Prior period adjustment	Beginning balance, as restated
Capital assets	\$ 135,451,481	\$ 16,825,000	\$ 152,276,481
Bonds payable	\$ (11,810,000)	\$ 3,850,000	\$ (7,960,000)
Deferred revenue	\$ -	\$ (1,315,294)	\$ (1,315,294)
Compensated absences	\$ -	\$ (2,042,595)	\$ (2,042,595)

Adjustments to fund balances relate to items referred to above and not correctly reported in the prior year. To correct for these errors, beginning fund balances were increased by \$1,641,839. As a result, the beginning fund balance of \$37,031,411, as originally reported, has been decreased to \$38,673,250. The changes to beginning fund balances are as follows:

	Beginning fund balance as previously stated	Prior period adjustment	Beginning balance, as restated
General Fund (011)	\$ 28,064,343	\$ 1,350,854	\$ 29,415,197
Group Insurance Fund (014)	\$ 4,857,153	\$ 37,658	\$ 4,894,811
Visitors Promotion Fund (019)	\$ 601,840	\$ 152,125	\$ 753,965
Federal Grants Fund (027)	\$ 168,632	\$ 261,111	\$ 429,743
Keno Fund (028)	\$ 678,034	\$ 56,651	\$ 734,685
Mental Health Fund (063)	\$ 1,310,683	\$ (460,553)	\$ 850,130
County/City Property Management Fund (065)	\$ 52,066	\$ 281,651	\$ 333,717
Lancaster Leasing Corporation	\$ 6,205,410	\$ (837,635)	\$ 5,367,775

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**APPENDIX C**

**THE CITY OF LINCOLN, NEBRASKA**

**GENERAL, ECONOMIC AND FINANCIAL INFORMATION**

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# THE CITY OF LINCOLN

## **General**

Lincoln, the capital of Nebraska, is located in southeastern Nebraska near the center of population of the state. The City was originally incorporated in 1869. It is approximately midway between Chicago and Denver. It has an area of 88.72 square miles, and in its growth and development has annexed five other municipalities so that the City includes most of the urban area of Lancaster County. It enjoys a unique position in Nebraska as the center of the state governmental and educational activities. It is currently one of the fastest growing non-Sunbelt cities in the U.S. and one of the fastest growing metro areas in the Midwest.

## **Population**

The 1960 population of the City was 128,521; the 1970 population was 149,510; the 1980 population was 171,932; the 1990 population was 191,972; and the 2000 population was 225,588, a 17.5 percent increase over the 1990 count. The 2000 count represents approximately 90 percent of the population of Lancaster County, the county in which the City is located. The estimated 2007 population is 241,167.

## **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 6,114 acres maintained for public use, eleven public swimming pools, and five public golf courses. The City has cooperated actively with the county government in several joint governmental buildings, and in other specific areas of responsibility, including health, planning, civil defense, data processing, tax collection, parks, and jail facilities. There are cooperative agreements with the United States government on parks and flood control, with the University of Nebraska on planning and property transfer, with the area Watershed District on flood control, and with the Lincoln School District on recreation.

## **Transportation**

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

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

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

## **Government Center**

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

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

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

## Education

The University of Nebraska, with approximately 22,000 students, Nebraska Wesleyan University, with approximately 2,000 students, Union College, with approximately 900 students, Kaplan University, with approximately 700 students and Southeast Community College, with approximately 10,000 students and with a number of facilities for both full-time and part-time occupational training, are in the City of Lincoln. The City's modern and progressive school system, with an enrollment of over 32,000 is served by 6 senior high schools, 10 middle schools, and 36 elementary schools. Lincoln is home to nearly 30 private and parochial schools. Lincoln's private school offerings range from pre-K to high school institutions. Affiliations include Roman Catholic, Lutheran, SDA, and nondenominational Christian.

## Building Permits and Property Values

### LAST TEN YEARS

FISCAL YEAR	COMMERCIAL 1 CONSTRUCTION		RESIDENTIAL 1 CONSTRUCTION		PROPERTY VALUE 2		TOTALS
	# PERMITS	VALUE	# PERMITS	VALUE	COMMERCIAL	RESIDENTIAL	
2007	994	\$ 293,968,408	2,820	\$ 202,786,768	\$ 4,236,340,817	\$ 10,402,515,684	\$ 14,638,856,501
2006	1,088	263,006,153	3,150	195,885,622	3,814,534,869	9,083,290,211	12,897,825,080
2005	1,092	204,677,969	3,387	277,158,200	3,694,097,147	8,727,702,573	12,421,799,720
2004	1,061	258,670,339	3,846	321,126,701	3,598,787,015	8,402,403,364	12,001,190,379
2003	1,036	269,298,229	3,913	315,666,242	3,094,988,486	7,255,640,292	10,350,628,778
2002	1,013	245,476,386	3,405	262,293,941	2,855,200,333	7,048,688,380	9,903,888,713
2001	1,017	215,856,679	3,212	231,390,626	2,540,905,431	6,273,610,610	8,814,516,041
2000	1,069	181,983,107	3,385	225,622,611	2,356,367,014	6,067,493,586	8,423,860,600
1999	1,148	186,569,754	3,235	206,065,342	2,132,780,337	5,726,511,673	7,859,292,010
1998	1,093	119,532,867	3,109	185,894,741	2,001,814,878	4,863,604,491	6,865,419,369

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

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

## Police and Fire Protection

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

## City Employee Information

For the 2007-2008 fiscal year, contracts have been signed with all of our unions. Unions include: the Lincoln Police Union (LPU) representing police officers; the International Association of Firefighters (IAF) representing firefighters, the Amalgamated Transit Union (ATU) representing transit workers, the Public Association of Government Employees (PAGE) representing labor, trades, and clerical personnel, and the City Employees Association (CEA) representing supervisory, highly technical, and professional personnel. The LPU, IAF, CEA and PAGE contracts expire at the end of August, 2008; and the ATU contract expires at the end of August, 2009.

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

## SELECTED ECONOMIC INDICATORS

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

	MAY 31, 2007		NOVEMBER 30, 2007	
	Number Employed	Percent of Total	Number Employed	Percent of Total
<b>Industry Manufacturing:</b>				
Durable Goods	8,219	4.9	8,414	4.9
Nondurable Goods	5,414	3.2	5,374	3.2
<b>Total Industry Manufacturing</b>	<b>13,633</b>	<b>8.1</b>	<b>13,788</b>	<b>8.1</b>
<b>Nonmanufacturing:</b>				
Natural Resource & Construction	8,512	5.1	8,448	5.0
Transportation, Communications & Utilities	7,462	4.4	7,658	4.5
Wholesale Trade	3,759	2.2	3,577	2.1
Retail Trade	17,062	10.1	17,686	10.4
Information	2,619	1.7	2,696	1.7
Finance, Insurance & Real Estate	12,608	7.5	12,743	7.5
Services (except domestic)	64,854	38.5	65,450	38.5
Government	37,780	22.4	37,722	22.2
<b>Total Nonmanufacturing</b>	<b>154,656</b>	<b>91.9</b>	<b>155,980</b>	<b>91.9</b>
<b>TOTAL</b>	<b>168,289</b>	<b>100.0</b>	<b>169,768</b>	<b>100.0</b>

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 2007-1998) (For the Calendar Year Indicated)

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Civilian Labor Force	157,887	157,632	157,999	158,444	156,940	153,021	150,846	150,239	142,384	142,918
Unemployment	4,462	4,592	5,643	5,346	5,841	5,007	4,209	3,542	3,397	3,208
Percent of Labor Force	2.8	2.9	3.6	3.4	3.7	3.3	2.8	2.4	2.4	2.2
Employment	153,425	153,040	152,355	153,098	151,100	148,013	146,636	146,697	138,987	139,710

### STATE OF NEBRASKA

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

Source: State of Nebraska, Department of Labor

**DEMOGRAPHIC STATISTICS  
LAST TEN YEARS**

Year	Population 1	Per Capita Personal Income 2	School Enrollment 3
2007	241,167	\$	33,466
2006	239,213		32,934
2005	238,625	32,248	32,505
2004	236,146	31,587	32,270
2003	235,565	30,064	31,889
2002	231,800	28,656	31,867
2001	225,588	28,354	31,581
2000	218,497	27,588	31,354
1999	217,537	26,009	31,052
1998	215,000	25,272	31,000

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 2006 and 2007 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
2007	76,816	93,301	124,878
2006	75,919	92,824	123,376
2005	74,649	92,152	121,508
2004	73,059	91,046	119,456
2003	72,260	89,642	116,974
2002	69,704	89,085	114,388
2001	68,187	87,749	112,247
2000	66,956	86,501	110,414
1999	65,823	85,156	108,194
1998	64,423	80,770	105,970

Source: Indicated Utility Companies

## SELECTED FINANCIAL STATISTICS

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

Fiscal Year	General Government	Public Safety	Streets And Highways	Culture And Recreation	Economic Opportunity	Health And <sup>3</sup> Welfare	Mass <sup>2</sup> Transit	Debt Service	Totals
2007	\$ 33,946,258	60,953,651	17,430,452	21,719,544	11,670,315	20,378,863	14,877,357	11,589,720	192,566,160
2006	34,666,641	60,064,604	16,928,575	20,938,212	12,623,307	25,566,267	8,901,327	11,016,269	190,705,202
2005	32,532,685	58,669,932	17,064,845	21,669,847	14,870,592	19,126,931	8,306,921	10,562,993	182,804,746
2004	30,884,544	55,272,920	13,633,902	22,308,940	14,728,510	18,544,667	10,525,090	7,914,521	173,813,094
2003	28,938,852	50,933,285	12,317,663	19,935,823	16,469,645	17,614,751	7,996,019	8,507,223	162,713,261
2002	27,237,134	49,913,169	10,833,055	16,974,798	14,017,601	17,989,603	12,691,837	7,411,878	157,069,075
2001	23,821,580	48,122,074	11,175,059	14,806,760	12,559,336	15,862,462	-	7,742,690	134,089,961
2000	23,529,495	44,042,882	9,039,840	13,958,414	11,204,029	13,974,690	-	7,924,295	123,673,645
1999	21,891,174	41,555,922	9,406,531	13,254,994	10,215,261	11,709,801	-	9,181,071	117,214,754
1998	30,170,768	41,140,827	8,992,439	13,111,328	12,009,990	10,979,131	-	9,651,132	126,055,615

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

<sup>2</sup> StarTran added as a Governmental Fund in 2002.

<sup>3</sup> Community Health Permanent Endowment Fund added as a Governmental Fund in 1999.

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

Fiscal Year	Taxes And Special Assessment	Inter-Governmental	Permits And Fees	Reimbursement For Services	Investment Earnings	Other	Totals
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 <sup>2</sup>	105,139,052	59,029,609	12,449,879	5,605,557	4,606,825	10,325,634	197,156,556
2001	95,016,014	48,619,317	9,638,475	5,071,766	8,005,027	9,146,189	175,496,788
2000	92,305,453	35,807,100	9,838,029	4,896,203	9,330,374	10,246,196	162,423,355
1999 <sup>3</sup>	88,259,613	35,600,952	8,685,268	4,366,482	8,016,026	7,684,411	152,612,752
1998	84,391,111	41,035,908	9,131,287	3,709,572	4,726,874	9,389,155	152,383,907

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

<sup>2</sup> StarTran added as a Governmental Fund in 2002.

<sup>3</sup> Community Health Permanent Endowment Fund added as a Governmental Fund in 1999.

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

<u>Fiscal Year Ended August 31</u>	<u>Special Assessment Collections Including Interest</u>
2007	\$ 1,448,146
2006	1,667,037
2005	1,413,582
2004	2,104,925
2003	1,814,191
2002	1,867,653
2001	1,796,924
2000	1,948,791
1999	2,359,812
1998	2,104,022

<sup>1</sup> 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 2007 tax levy for the 2007-2008 fiscal year is \$69,877,835 below the legal limit, a tax rate per \$100 valuation of .28788. The assessed value upon which the 2007 levy is based is \$15,653,926,490. By charter, only 90% of the property tax levy may be appropriated.

For the 2007-2008 fiscal year the City is subject to a state imposed lid on the appropriation of "restricted funds", which are revenues received from property tax, sales tax, state aid, in-lieu of tax, municipal infrastructure redevelopment fund (MIRF), and highway allocation fees. Bonded indebtedness, capital improvements, and costs associated with interlocal agreements are exempt from the lid. For 2007-2008 the City can also use authority equal to the amount of real growth in the tax base of 2.67%. An additional 1% can be authorized by a 75% vote of the City Council and was utilized for the 2007-2008 budget. The 2007-2008 budget is approximately \$9.1 million below the state imposed lid limit.



**PROPERTY TAX LEVIED AND COLLECTED  
LAST TEN YEARS**

The fiscal year of the City begins September 1 and ends August 31. Taxes are levied in October. First installments of real estate taxes are delinquent the following April 1, second installments delinquent August 1; personal property taxes are delinquent April 1 and August 1. Delinquent taxes bear 14 percent interest. The figures below include interest and penalties. The figures below do not include motor vehicle in lieu of ad valorem taxes.

Tax Year	Taxes Levied	Collected As Of August 31 After Levy		Accumulated Collections As Of August 31, 2007	
		Amount	Percent	Amount	Percent
2007	\$ 43,475,089	\$ 41,848,163	96.26 %	\$ 41,848,163	96.26 %
2006	40,873,358	39,579,041	96.83	41,056,233	100.45
2005	38,755,995	37,514,748	96.80	38,865,545	100.28
2004	36,994,112	35,726,509	96.57	37,031,950	100.10
2003	35,007,926	33,676,453	96.20	35,040,134	100.09
2002	33,731,282	32,501,760	96.35	33,833,251	100.30
2001	31,159,364	29,936,079	96.07	31,145,790	99.96
2000	29,603,794	28,665,780	96.83	29,761,421	100.53
1999	27,597,664	26,411,546	95.70	27,511,095	99.69
1998	26,812,692	25,758,577	96.07	26,975,935	100.61

**TEN LARGEST TAXPAYERS**

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

<u>Taxpayers</u>	<u>Type Of Business</u>	<u>2007 Assessed Valuations</u>	<u>Percentage Of Total Assessed Valuation</u>
Alltel Communications	Telecommunications	\$ 72,471,636	.47%
B & J Partnership Ltd.	Building Management	71,086,013	.46
Kawasaki	Manufacturing	68,098,040	.44
WEA Gateway LLC	Retail Management	59,386,082	.39
Ameritas Life Insurance Corp	Insurance	50,334,651	.33
Chateau Van Dorn LLC	Real Estate Development	49,958,335	.33
Pfizer	Animal Health	48,138,439	.31
Nebco	Construction/Development	47,148,845	.31
Burlington Northern	Railroad	46,701,614	.30
Molex Inc.	Manufacturing	<u>38,979,611</u>	<u>.25</u>
		<u>\$ 552,303,266</u>	<u>3.59%</u>

## CITY SALES TAX INFORMATION

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

### SALES AND USE TAX COLLECTIONS LAST TEN YEARS

<u>Year Ended</u> <u>August 31</u>	<u>Amount</u>
2007	\$ 53,960,485
2006	54,270,346
2005	53,781,209
2004	51,869,477
2003	48,657,268
2002	45,393,491
2001	44,486,127
2000	43,608,313
1999	41,642,771
1998	37,479,413

### GENERAL FUND TAX COLLECTIONS LAST TEN YEARS

<u>Fiscal</u> <u>Year</u>	<u>Property and</u> <u>Motor Vehicle</u> <u>Taxes</u>	<u>Sales and</u> <u>Use Taxes</u>	<u>Insurance</u> <u>Taxes</u>	<u>Sundry</u> <u>Taxes</u>	<u>Taxes</u> <u>In Lieu</u>	<u>Occupation</u> <u>Taxes</u>	<u>Total</u>
2007	\$ 31,454,763	53,960,485		10,492	1,399,939	9,596,588	96,422,267
2006	28,366,526	54,270,346		9,526	1,315,038	8,936,502	92,897,938
2005	26,727,618	53,781,209		12,445	1,159,742	9,169,791	90,850,805
2004	24,546,532	51,869,477		9,263	1,144,747	9,037,781	86,607,800
2003	22,780,085	48,657,268		10,876	1,199,507	8,831,712	81,479,448
2002	23,353,414	45,393,491		8,403	1,163,468	9,097,442	79,016,218
2001	20,284,364	44,486,127		8,497	1,107,183	5,889,097	71,775,268
2000	19,487,198	43,608,313		8,522	1,043,287	5,651,371	69,798,691
1999	20,741,154	41,642,771		17,516	1,080,495	5,721,321	69,203,257
1998	18,953,860	37,479,413	889,226	8,647	944,612	4,743,649	63,019,407

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

Tax Year		Real Estate	All Other	Total
2007	\$	14,638,856,501	703,307,287	15,342,163,788
2006		12,897,825,080	685,425,215	13,583,250,295
2005		12,421,799,720	716,716,506	13,138,516,226
2004		12,001,190,379	742,915,013	12,744,105,392
2003		10,350,628,778	779,959,389	11,130,588,167
2002		9,903,888,713	820,797,124	10,724,685,837
2001		8,814,516,041	806,431,814	9,620,947,855
2000		8,423,860,600	716,780,457	9,140,641,057
1999		7,859,292,010	660,609,204	8,519,901,214
1998		6,865,419,369	637,669,384	7,503,088,753

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

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

	Tax Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
City of Lincoln	0.2833	0.3009	0.2950	0.2903	0.3145	0.3145	0.3239	0.3239	0.3239	0.3581
School District No. 1	1.2764	1.3142	1.3141	1.3011	1.2830	1.2732	1.3684	1.3813	1.3050	1.6308
Lancaster County	0.2655	0.2841	0.2797	0.2683	0.2683	0.2583	0.2643	0.2584	0.2782	0.2966
Educational Service Unit #18	0.0141	0.0150	0.0150	0.0150	0.0150	0.0150	0.0150	0.0150	0.0149	0.0089
Community Technical College	0.0689	0.0696	0.0655	0.0655	0.0655	0.0636	0.0295	0.0334	0.0696	0.0782
Lower Platte South Natural Res. Dist.	0.0416	0.0422	0.0323	0.0323	0.0359	0.0365	0.0367	0.0372	0.0389	0.0365
Railroad Transportation Safety Dist.	0.0246	0.0260	0.0260	0.0248	0.0220	0.0221	0.0260	0.0260	0.0260	0.0260
Agricultural Society of Lancaster County	0.0016	0.0018	0.0020	0.0030	0.0012	0.0024	0.0073	0.0032	0.0013	0.0364
Lancaster County Fairgrounds	0.0037	0.0042	0.0042	0.0043	0.0050	0.0052	0.0000	0.0000	0.0000	0.0000
Public Building Commission	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170	0.0170
	<u>1.9967</u>	<u>2.0750</u>	<u>2.0508</u>	<u>2.0216</u>	<u>2.0274</u>	<u>2.0078</u>	<u>2.0881</u>	<u>2.0954</u>	<u>2.0748</u>	<u>2.4885</u>

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

## DEBT MANAGEMENT

### OUTSTANDING INDEBTEDNESS AS OF AUGUST 31, 2007

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

Original Amount	Issued	Issue	Interest Rate	When Due	Date Callable	Interest Date	Outstanding
<b>Governmental Activities:</b>							
<b>General Obligation Bonds:</b>							
<b>General Bonds:</b>							
14,435	03/01/99	Various Purpose Series A	3.000 - 4.600	Serial 2000 to 2014	2009	Semiannually	\$ 7,840
7,365	03/01/99	Various Purpose Series A	4.750	Term 2019	2009	"	7,365
8,220	03/01/99	Various Purpose Series B	3.000 - 4.250	Serial 1999 to 2011	2007	"	2,465
6,350	05/29/02	Storm Sewer and Drainage	3.000 - 5.000	Serial 2004 to 2020	2010	"	5,535
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	"	9,680
3,710	07/08/03	Various Purpose	4.000 / 4.125	Term 2020 & 2023	2013	"	3,710
6,555	06/01/05	Storm Sewer Refunding	2.500 - 4.375	Serial 2005 to 2017	2011	"	5,755
9,950	06/15/05	Storm Sewer Construction	3.250 - 4.250	Serial 2006 to 2025	2015	"	9,225
8,295	06/27/07	Stormwater Drainage and Flood Mgmt	4.625 - 5.000	Serial 2008 to 2027	2017	"	8,295
<b>Total General Bonds</b>							<b>\$ 61,020</b>
<b>Tax Allocation Bonds:</b>							
1,035	04/21/04	Tax Allocation Bonds	2.000 - 3.200	Serial 2004 to 2011	2008	Semiannually	670
5,500	04/21/04	Tax Allocation Bonds	3.000 - 4.800	Serial 2004 to 2015	2010	"	4,530
365	08/15/05	Tax Allocation Bonds	4.750	Serial 2006 to 2018	Anytime	"	320
245	10/01/06	Tax Allocation Bonds	5.100	Serial 2008 to 2015	Anytime	"	245
2,205	04/05/07	Tax Allocation Bonds	5.000 - 5.550	Serial 2009 to 2018	2012	"	2,205
586	06/01/07	Tax Allocation Bonds	5.240	Serial 2008 to 2018	Anytime	"	586
388	06/01/07	Tax Allocation Bonds	5.240	Serial 2007 to 2020	Anytime	"	388
369	06/15/07	Tax Allocation Bonds	5.400	Serial 2007 to 2014	Anytime	"	369
<b>Total Tax Allocation Bonds</b>							<b>\$ 9,313</b>
<b>Tax Supported Bonds</b>							
3,200	06/13/00	Municipal Infrastructure Redevelopment	4.750 - 5.100	Serial 2001 to 2009	2005	Semiannually	\$ 1,080
35,000	03/17/04	Highway Allocation Fund	2.000 - 5.000	Serial 2007 to 2023	2014	"	35,000
27,000	12/05/06	Highway Allocation Fund	4.000 - 5.000	Serial 2008 to 2027	2016	"	27,000
<b>Total Tax-Supported Bonds</b>							<b>\$ 63,080</b>
<b>TOTAL GENERAL OBLIGATION BONDS</b>							<b>\$ 133,413</b>
<b>Tax Supported Bonds:</b>							
11,080	3/13/02	Antelope Valley Project	1.500 - 5.000	Serial 2002 to 2016	2012	Semiannually	\$ 8,515
<b>Business-Type Activities:</b>							
<b>Revenue Bonds:</b>							
39,235	07/31/03	Wastewater Revenue	2.000 - 5.000	Serial 2004 to 2023	2013	Semiannually	\$ 32,920
15,765	07/31/03	Wastewater Revenue	4.625 / 5.000	Term 2025 & 2028	2013	"	15,765
18,000	08/03/05	Wastewater Revenue	4.000 - 5.000	Serial 2006 to 2030	2015	"	16,995
16,710	04/18/07	Wastewater Revenue	4.000 - 4.500	Serial 2008 to 2029	2017	"	16,710
3,750	04/18/07	Wastewater Revenue	4.375	Term 2032	2017	"	3,750
<b>Total Wastewater Bonds</b>							<b>\$ 86,140</b>
11,850	11/22/02	Water Revenue	2.750 - 5.000	Serial 2005 to 2017	2012	Semiannually	\$ 9,580
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	-	"	18,795
40,000	11/16/04	Water Revenue	3.000 - 5.000	Serial 2005 to 2025	2014	"	37,175
<b>Total Water Bonds</b>							<b>\$ 72,210</b>
6,815	09/08/99	Parking Revenue Series A	4.000 - 5.000	Serial 2000 to 2009	2009	Semiannually	\$ 2,170
6,695	09/08/99	Parking Revenue Series A	5.375	Term 2014	2009	"	6,695
4,360	12/18/01	Parking Revenue	3.750 - 5.000	Serial 2002 to 2017	2011	"	2,970
1,640	12/18/01	Parking Revenue	5.125	Term 2021	2011	"	1,640
<b>Total Parking Bonds</b>							<b>\$ 13,475</b>
3,165	11/27/01	Golf Course Revenue Refunding	2.300 - 4.050	Serial 2002 to 2011	2008	Semiannually	\$ 1,375
4,000	08/17/06	Solid Waste Management Revenue	4.000 - 4.250	Serial 2007 to 2021	2013	Semiannually	\$ 3,815
45,560	02/15/98	Electric Revenue Bonds Series A	4.500 - 5.000	Serial 2008 to 2018	2008	Semiannually	\$ 31,075
141,150	08/15/01	Electric Revenue Bonds	4.000 - 5.250	Serial 2006 to 2020	2011	"	140,150
148,190	10/01/02	Electric Revenue Bonds	4.000 - 5.000	Serial 2004 to 2025	2012	"	122,945
93,045	10/01/03	Electric Revenue Bonds	3.000 - 5.000	Serial 2004 to 2026	2014	"	90,195
33,265	10/01/03	Electric Revenue 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
<b>Total Electric Bonds</b>							<b>\$ 532,630</b>
<b>TOTAL REVENUE BONDS</b>							<b>\$ 709,645</b>

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

Fiscal Year Ended August 31	Governmental Activities					
	General Obligation Bonds		Tax-Supported Bonds		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 6,210	5,611	615	372	1,718	883
2009	7,376	5,401	635	350	1,749	842
2010	6,740	5,120	660	326	1,723	784
2011	7,223	4,851	685	299	1,727	725
2012	7,883	4,543	710	271	1,797	663
2013 - 2017	40,918	17,476	5,210	773	8,357	2,276
2018 - 2022	36,018	8,743	-	-	3,206	1,043
2023 - 2027	21,045	2,008	-	-	2,515	368
	<u>\$ 133,413</u>	<u>53,753</u>	<u>8,515</u>	<u>2,391</u>	<u>22,792</u>	<u>7,584</u>

Fiscal Year Ended August 31	Business-Type Activities			
	Revenue Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2008	\$ 24,220	34,490	444	33
2009	25,390	33,294	140	20
2010	26,510	32,150	146	13
2011	29,275	30,910	127	7
2012	27,365	29,572	65	1
2013 - 2017	148,385	127,774	-	-
2018 - 2022	163,860	87,112	-	-
2023 - 2027	103,690	54,016	-	-
2028 - 2032	90,880	29,569	-	-
2033 - 2037	70,070	8,548	-	-
	<u>\$ 709,645</u>	<u>467,435</u>	<u>922</u>	<u>74</u>

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

Net assets of \$4,766,048, \$3,883,753, and \$5,327,078 are currently available in the debt service funds to service the General Obligation Bonds, Tax Supported Bonds, and Tax Allocation Bonds, respectively. Revenue Bonds are funded partially from reserve accounts set up for debt repayment and partially from proceeds of daily operations.

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

	Governmental Activities	Business-Type Activities
Land	\$ 515,750	\$ 210,000
Buildings	11,914,750	-
Improvements	219,925	-
Infrastructure	6,972,510	-
Machinery and Equipment	1,838,042	3,113,553
Less Accumulated Depreciation, (where applicable)	<u>(1,907,191)</u>	<u>(1,743,574)</u>
Total	<u>\$ 19,553,786</u>	<u>\$ 1,579,979</u>

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

Established by City Ordinance, LES may borrow up to \$150 million under a commercial paper note program. At December 31, 2006, 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, 2006, was 3.4 percent. The annual requirement to pay interest on this outstanding debt is approximately \$3.0 million. The outstanding commercial paper notes are secured by a revolving credit agreement which provides for borrowings up to \$150 million. LES pays a commitment fee for the credit agreement. Under the terms of the agreement LES can either settle or refinance the commercial paper upon maturity.

The general obligation debt of all local governmental units which provide services within the City's boundaries and which debt must be borne by properties in the City (commonly called overlapping debt) as of August 31, 2007, is summarized below (unaudited):

<u>Governmental Units</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>1</sup></u>	<u>Direct And Overlapping Debt To The City</u>
Direct:			
City	\$ <u>133,413,000</u>	100.0 %	\$ <u>133,413,000</u>
Overlapping:			
School District #1	268,540,000	99.5	267,197,000
Lower Platte South N.R.D.	8,250,000	75.4	6,221,000
Lancaster County	6,850,000	85.4	5,850,000
Public Building Commission	48,660,000	85.4	41,556,000
Lancaster County Fairgrounds	<u>2,275,000</u>	85.4	<u>1,943,000</u>
	<u>334,575,000</u>		<u>322,767,000</u>
Total	\$ <u><u>467,988,000</u></u>		\$ <u><u>456,180,000</u></u>

The City has no direct liability for the School District, Lower Platte South N.R.D., Lancaster County, Public Building Commission or Lancaster County Fairgrounds debt summarized above. This results in a per capita direct City debt of \$553.20; a per capita direct and overlapping debt of \$1,891.55; a ratio of direct City debt to 2007 actual valuation of .87 percent; and a ratio of direct and overlapping debt to 2007 actual valuation of 2.97 percent.

### **Debt Payment Record**

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

### **Contingencies**

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

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

Fiscal Year	Principal	Interest <sup>3</sup>	Total Debt Service	Total General Governmental Expenditures <sup>1,2,4</sup>	Ratio Of Debt Service To Total General Expenditures
2007	\$ 5,617,536	\$ 4,986,687	\$ 10,604,223	\$ 192,566,160	5.51 %
2006	5,770,794	4,670,734	10,441,528	190,705,202	5.48
2005	5,421,699	4,860,926	10,282,625	182,804,746	5.62
2004	4,934,224	2,893,437	7,827,661	173,813,094	4.50
2003	5,435,370	2,986,634	8,422,004	162,713,261	5.18
2002	4,921,172	2,421,303	7,342,475	157,069,075	4.67
2001	4,966,405	2,753,247	7,719,652	134,089,961	5.76
2000	5,125,296	2,772,021	7,897,317	123,673,645	6.39
1999	4,209,267	2,301,745	6,511,012	117,214,754	5.55
1998	4,927,317	2,329,696	7,257,013	126,055,615	5.76

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

<sup>2</sup> Community Health Permanent Endowment Fund added as a Governmental Fund in 1999.

<sup>3</sup> Does not include fiscal and miscellaneous charges.

<sup>4</sup> StarTran added as a Governmental Fund in 2002.

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

Fiscal Year	General Obligation Bonded Debt	Sinking Funds	Net General Obligation Bonded Debt	Population <sup>1</sup>	Net G.O. Bonded Debt Per Capita	Assessed Valuation Real And Personal <sup>2</sup>	Ratio Of Net Debt To Assessed Valuation Real & Personal	Assessed Valuation Of Taxable Real Property <sup>2</sup>	Ratio Of Net Debt To Estimated Valuation Of Taxable Real Property
2007	133,413,000	\$ 11,574,000	\$ 121,839,000	241,167	\$ 505.21	\$ 15,342,163,788	0.79 %	\$ 14,638,856,501	0.83 %
2006	99,347,000	9,733,000	89,614,000	239,213	374.62	13,583,250,295	0.66	12,897,825,080	0.69
2005	104,538,000	13,364,000	91,174,000	238,625	382.08	13,138,516,226	0.69	12,421,799,720	0.73
2004	98,915,000	20,509,000	78,406,000	236,146	332.02	12,744,105,392	0.62	12,001,190,379	0.65
2003	61,759,000	17,083,000	44,676,000	235,565	189.65	11,130,588,167	0.40	10,350,628,778	0.43
2002	56,997,000	15,847,000	41,150,000	231,800	177.52	10,724,685,837	0.38	9,903,888,713	0.42
2001	54,418,000	11,243,000	43,175,000	225,588	191.39	9,620,947,855	0.45	8,814,516,041	0.49
2000	58,814,000	9,739,000	49,075,000	218,497	224.60	9,140,641,057	0.54	8,423,860,600	0.58
1999	60,508,000	12,182,000	48,326,000	217,537	222.15	8,519,901,214	0.57	7,859,292,010	0.61
1998	40,492,000	17,707,000	22,785,000	215,000	105.98	7,503,088,753	0.30	6,865,419,369	0.33

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

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

**REVENUE BOND COVERAGE  
LAST TEN FISCAL YEAR**

	Gross Revenue	Direct Operating Expenses	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
<u>Wastewater System</u>							
2007	\$ 20,799,926	11,462,964	9,336,962	2,005,000	3,081,481	5,086,481	1.84
2006	19,305,465	11,125,819	8,179,646	2,065,000	3,043,500	5,108,500	1.60
2005	18,526,816	10,482,955	8,043,861	1,500,000	2,403,519	3,903,519	2.06
2004	19,071,798	10,042,919	9,028,879	1,750,000	2,133,704	3,883,704	2.32
2003	15,785,843	9,086,469	6,699,374	1,032,500	266,722	1,299,222	5.16
2002	15,731,749	8,632,287	7,099,462	992,500	316,847	1,309,347	5.42
2001	16,663,975	8,087,688	8,576,287	952,500	364,972	1,317,472	6.51
2000	16,741,692	7,707,242	9,034,450	912,500	411,097	1,323,597	6.83
1999	16,286,632	7,591,990	8,694,642	1,255,000	474,743	1,729,743	5.03
1998	15,873,036	7,512,753	8,360,283	1,217,500	554,216	1,771,716	4.72
<u>Water System</u>							
2007	\$ 27,836,690	14,351,136	13,485,554	5,340,000	3,612,001	8,952,001	1.51
2006	27,297,378	13,808,214	13,489,164	5,130,000	3,834,301	8,964,301	1.50
2005	25,600,740	13,145,665	12,455,075	4,895,000	3,517,932	8,412,932	1.48
2004	22,940,862	12,477,486	10,463,376	3,115,000	2,411,632	5,526,632	1.89
2003	21,533,965	11,631,496	9,902,469	3,010,000	2,898,489	5,908,489	1.68
2002	22,687,789	11,474,433	11,213,356	2,880,000	2,110,590	4,990,590	2.25
2001	22,287,139	10,960,315	11,326,824	2,755,000	2,240,075	4,995,075	2.27
2000	23,823,957	9,812,147	14,011,810	2,640,000	2,361,515	5,001,515	2.80
1999	20,787,797	9,067,262	11,720,535	2,530,000	2,514,373	5,044,373	2.32
1998	21,009,615	8,894,295	12,115,320	2,435,000	2,621,365	5,056,365	2.40
<u>Parking Facilities</u> <sup>1, 2</sup>							
2007	\$ 6,645,013	2,781,952	3,863,061	1,240,000	746,374	1,986,374	1.94
2006	6,785,593	2,775,122	4,010,471	1,185,000	799,931	1,984,931	2.02
2005	6,219,935	2,972,709	3,247,226	1,140,000	850,501	1,990,501	1.63
2004	6,299,598	2,733,492	3,566,106	1,145,000	908,456	2,053,456	1.74
2003	5,988,240	2,304,632	3,683,608	1,085,000	962,829	2,047,829	1.80
2002	5,483,546	1,964,389	3,519,157	1,115,000	924,470	2,039,470	1.73
2001	5,172,264	2,127,350	3,044,914	795,000	787,419	1,582,419	1.92
2000	4,853,708	1,393,637	3,460,071	455,000	761,521	1,216,521	2.84
1999	4,209,988	2,329,165	1,880,823	585,000	640,712	1,225,712	1.53
1998	4,068,991	1,340,709	2,728,282	455,000	651,694	1,106,694	2.47
<u>Golf</u>							
2007	\$ 2,926,985	2,463,827	463,158	315,000	65,060	380,060	1.22
2006	2,993,961	2,467,141	526,820	305,000	74,973	379,973	1.39
2005	3,135,875	2,568,462	567,413	295,000	83,823	378,823	1.50
2004	2,899,670	2,467,141	432,529	290,000	91,653	381,653	1.13
2003	2,648,552	2,408,947	239,605	280,000	98,513	378,513	0.63
2002	2,673,078	2,141,707	531,371	305,000	75,628	380,628	1.40
2001	2,626,592	2,140,853	485,739	230,000	239,088	469,088	1.04
2000	2,934,568	1,952,906	981,662	215,000	252,310	467,310	2.10
1999	2,527,564	1,656,746	870,818	200,000	264,310	464,310	1.88
1998	2,337,800	1,493,277	844,523	190,000	275,520	465,520	1.81
<u>Solid Waste Management</u>							
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

	<u>F.Y. 2007</u>	<u>F.Y. 2006</u>	<u>F.Y. 2005</u>	<u>F.Y. 2004</u>	<u>F.Y. 2003</u>	<u>F.Y. 2002</u>	<u>F.Y. 2001</u>	<u>F.Y. 2000</u>	<u>F.Y. 1999</u>	<u>F.Y. 1998</u>
Cash & Investment Balance - September 1 of Year Indicated	13,475,643	18,948,253	23,521,130	26,784,845	26,589,993	24,802,768	26,814,745	25,069,133	22,742,585	26,542,206
Receipts:										
Property Tax	31,454,763	28,366,526	26,727,618	24,546,532	22,780,085	23,353,414	20,284,364	19,487,198	20,741,154	18,953,860
City Sales & Use Tax	53,960,485	54,270,346	53,781,209	51,869,477	48,657,268	45,393,492	44,486,127	43,608,313	41,642,771	37,479,413
Other Income	<u>27,663,641</u>	<u>25,390,112</u>	<u>25,620,145</u>	<u>23,615,320</u>	<u>24,933,838</u>	<u>26,342,414</u>	<u>21,786,016</u>	<u>21,339,093</u>	<u>19,991,222</u>	<u>19,373,404</u>
Total Receipts	113,078,889	108,026,984	106,128,972	100,031,329	96,371,191	95,089,320	86,556,507	84,434,604	82,375,147	75,806,677
Disbursements	<u>111,922,258</u>	<u>113,499,594</u>	<u>110,701,849</u>	<u>103,295,044</u>	<u>96,176,339</u>	<u>93,302,095</u>	<u>88,568,484</u>	<u>82,688,992</u>	<u>80,048,599</u>	<u>79,606,298</u>
Cash & Investment Balance - August 31 of Year Indicated	<u>14,632,274</u>	<u>13,475,643</u>	<u>18,948,253</u>	<u>23,521,130</u>	<u>26,784,845</u>	<u>26,589,993</u>	<u>24,802,768</u>	<u>26,814,745</u>	<u>25,069,133</u>	<u>22,742,585</u>

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

	<u>F.Y. 2007</u>	<u>F.Y. 2006</u>	<u>F.Y. 2005</u>	<u>F.Y. 2004</u>	<u>F.Y. 2003</u>	<u>F.Y. 2002</u>	<u>F.Y. 2001</u>	<u>F.Y. 2000</u>	<u>F.Y. 1999</u>	<u>F.Y. 1998</u>
Cash Balance - September 1 of Year Indicated	2,761,491	3,364,608	3,570,557	2,935,997	3,440,537	3,099,198	3,313,405	3,536,402	3,682,098	4,000,777
Receipts:										
Property Tax	5,460,690	2,973,410	5,607,615	5,387,468	5,883,592	6,340,938	5,814,489	5,843,384	4,475,066	4,461,628
Interest Income	84,935	86,812	83,286	48,595	32,298	53,873	107,693	174,146	145,534	236,658
Bond Proceeds			6,597,635		9,436,083				189,482	
Other Income	<u>1,927,112</u>	<u>2,935,603</u>	<u>149,038</u>	<u>691,340</u>	<u>240,110</u>	<u>232,009</u>	<u>235,736</u>	<u>247,591</u>	<u>54,475</u>	<u>116,996</u>
Total Receipts	<u>7,472,737</u>	<u>5,995,825</u>	<u>12,437,574</u>	<u>6,127,403</u>	<u>15,592,083</u>	<u>6,626,820</u>	<u>6,157,918</u>	<u>6,265,121</u>	<u>4,864,557</u>	<u>4,815,282</u>
Disbursements:										
Bonds Paid	3,950,000	4,250,000	3,850,000	3,215,000	4,177,765	4,137,254	4,052,948	3,973,769	2,725,042	3,304,097
Bonds Defeased					9,609,774					
Interest Paid	2,217,610	2,342,582	2,197,207	2,271,548	2,309,084	2,144,322	2,308,922	2,500,471	1,955,821	1,817,400
Transfer to Trustee			6,504,876						164,400	
Other Disbursements	<u>9,530</u>	<u>6,360</u>	<u>91,440</u>	<u>6,295</u>		<u>3,905</u>	<u>10,255</u>	<u>13,878</u>	<u>164,990</u>	<u>12,464</u>
Total Disbursements	<u>6,177,140</u>	<u>6,598,942</u>	<u>12,643,523</u>	<u>5,492,843</u>	<u>16,096,623</u>	<u>6,285,481</u>	<u>6,372,125</u>	<u>6,488,118</u>	<u>5,010,253</u>	<u>5,133,961</u>
Equity Transfer										
Cash Balance - August 31 of Year Indicated	<u>4,057,088</u>	<u>2,761,491</u>	<u>3,364,608</u>	<u>3,570,557</u>	<u>2,935,997</u>	<u>3,440,537</u>	<u>3,099,198</u>	<u>3,313,405</u>	<u>3,536,402</u>	<u>3,682,098</u>

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

	<u>F.Y. 2007</u>	<u>F.Y. 2006</u>	<u>F.Y. 2005</u>	<u>F.Y. 2004</u>	<u>F.Y. 2003</u>	<u>F.Y. 2002</u>	<u>F.Y. 2001</u>	<u>F.Y. 2000</u>	<u>F.Y. 1999</u>	<u>F.Y. 1998</u>
Cash & Investment Balance - September 1 of Year Indicated	8,846,000	7,583,251	7,830,502	6,910,967	6,586,633	3,778,207	4,964,458	5,003,362	5,357,118	5,150,392
Receipts:										
Special Assessment Collections	1,257,112	1,476,284	1,208,686	1,654,695	1,271,575	1,360,347	1,529,352	1,638,233	1,992,503	1,818,743
Interest on Special Assessments	188,349	189,927	204,108	267,298	346,725	294,839	257,157	310,558	367,309	285,279
City's Share of Costs	187,957	723,038	578,992	116,009	97,107	2,145,574	2,516,175	895,961	2,038,202	
Developers' Share of Costs						4,617	473,445		75,572	685,754
Bond Proceeds										
Interest on Investments	340,274	254,809	217,996	140,289	130,555	137,143	219,536	286,460	241,768	341,581
Miscellaneous	49,403	74,657	30,687	288,482	195,535	474,438	144,005	993,245	244,724	
<b>Total Receipts</b>	<u>2,023,095</u>	<u>2,718,715</u>	<u>2,240,469</u>	<u>2,466,773</u>	<u>2,041,497</u>	<u>4,416,958</u>	<u>5,139,670</u>	<u>4,124,457</u>	<u>4,960,078</u>	<u>3,131,357</u>
Disbursements:										
Construction Costs	766,768	1,066,513	1,796,239	1,399,323	1,560,456	1,090,434	3,646,025	2,338,999	2,333,433	1,637,987
Bonds Paid	55,000		100,000	105,000	105,000	110,000	270,000	770,000	785,000	1,105,000
SID Warrants										
Interest Paid on Bonds & Notes	37,581		3,425	10,420	17,534	24,762	39,438	67,293	110,155	167,055
Other Refunds & Expenses	18,693	389,453	588,056	32,495	34,173	383,336	2,370,458	987,069	2,085,246	14,589
<b>Total Disbursements</b>	<u>878,042</u>	<u>1,455,966</u>	<u>2,487,720</u>	<u>1,547,238</u>	<u>1,717,163</u>	<u>1,608,532</u>	<u>6,325,921</u>	<u>4,163,361</u>	<u>5,313,834</u>	<u>2,924,631</u>
Cash & Investment Balance - August 31 of Year Indicated	<u>9,991,053</u>	<u>8,846,000</u>	<u>7,583,251</u>	<u>7,830,502</u>	<u>6,910,967</u>	<u>6,586,633</u>	<u>3,778,207</u>	<u>4,964,458</u>	<u>5,003,362</u>	<u>5,357,118</u>

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**APPENDIX D**

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

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**INTRODUCTORY SECTION**







**CITY OF LINCOLN**  
**NEBRASKA**

**MAYOR CHRIS BEUTLER**  
lincoln.ne.gov

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

February 1, 2008

Dear Citizens and Public Officials:

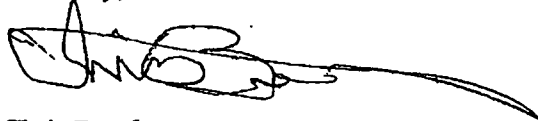
It is my pleasure to submit the City of Lincoln's Comprehensive Annual Financial Report for the fiscal year ended August 31, 2007.

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

Our ability to manage the City's fiscal affairs and provide a full disclosure of the City's fiscal condition is exhibited by the unqualified audit opinion that follows. I am proud to report that the 2006 report submitted to the Government Finance Officers Association was recognized with the prestigious Certificate of Achievement for Excellence in Financial Reporting for the twenty-fourth 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

February 01, 2008

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, 2007, is hereby submitted.

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

As a recipient of federal, state and local financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. The federal government, under the revised OMB Circular A-133, requires local governments that expend \$500,000 or more in federal funds in any fiscal year to have a financial and compliance audit performed. As part of the City's Single Audit, tests were made of the City's internal control structure over compliance and its compliance with applicable laws and regulations, including those related to major federal financial assistance programs. The Single Audit for the year ended August 31, 2007, 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 results of operations 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, 2007, are fairly presented in conformity with GAAP.

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

### Profile of the City

The City of Lincoln, capital city of Nebraska, was originally incorporated on April 7, 1869. Lincoln is located in the southeastern corner of the state, is midway between Chicago and Denver, and is currently one of the fastest growing metro areas in the Midwest. It occupies a land area of approximately 80 square miles, serves a population of over 241,000, and in its growth and development has annexed five other municipalities so that the City includes most of the urban area of Lancaster County. It enjoys a unique position in Nebraska as the center of the state's governmental and educational activities.

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

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

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

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

### Economic Condition And Outlook

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

The Lincoln metropolitan area population base (Lancaster County) continues to demonstrate a pattern of sustained growth. According to the U. S. Census figures, the Lincoln metropolitan area population grew over 17% between 1990 and 2000, adding over 3,350 people to the community each year. The 1990

population of 213,641 reached 250,291 persons with the 2000 census, setting the County's annualized rate of population growth for the 1990's at 1.6 percent.

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

Lincoln's unemployment rate at August 31, 2007 was 2.7%, well below the national average of 4.6%, with employment strongest in the categories of government, educational & health services, and retail trade. Lincoln's current number of construction permits is down 14% when compared to levels 5 years ago, with a corresponding decrease in the value of construction permits of over \$11 million.

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

Net sales and use tax revenue increased \$14,826 or .027% from the previous fiscal year. This primary revenue source has been impacted by negative economic factors that have affected the local and national economies. A slight narrowing of the sales tax base by the State legislature also contributed to the slow growth in tax collections.

### Long-Term Planning And Major Initiatives

#### Urban Development

The City anticipates approximately \$10 million of public expenditures funded through various urban development projects and programs over the next three years. These projects are varied in type and size and are located in the Downtown and Haymarket areas, North 27<sup>th</sup> Street area, Havelock and University Place business areas, Focus Area neighborhoods, the Antelope Valley project area, West O Street, North 56<sup>th</sup> and Arbor Road, West Cornhusker Highway, and in low-moderate income areas throughout the City.

Financing will be provided by a variety of sources, including Tax Increment Financing (TIF), CDBG, HOME, Economic Development Initiative and Nebraska Affordable Housing Trust Fund 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) Implementation of the Catalyst One project.
  - 2) Redevelopment of former Douglas III theater site.
  - 3) Redevelopment of the West Haymarket project area.
- ◆ North 27<sup>th</sup> Street redevelopment will consist of the pedestrian trail bridge at X Street.
- ◆ Implementation of selected Antelope Valley Redevelopment Plan catalyst projects.
- ◆ Havelock Redevelopment on-going projects include streetscape improvements, park improvements and public parking lot improvements.
- ◆ University Place will see the redevelopment of the former Green's Plumbing site.
- ◆ West O Street redevelopment projects.
- ◆ North 56<sup>th</sup> and Arbor Road redevelopment.

- NW Corridor redevelopment (West Cornhusker Highway).
- ◆ Housing rehabilitation and development programs:
  - 1) Continuation of First-time Homebuyer, Housing Development, and Owner-Occupied housing rehabilitation loan programs.
  - 2) Partner with NeighborWorks-Lincoln for their Home Ownership Zone in Antelope Valley and other initiatives in low-to-moderate income neighborhoods.
  - 3) Complete the final phase of the affordable housing project, Old Mill Village, with Nebraska Housing Resource and plan the development of the next affordable housing project.
  - 4) Sustain the existing affordable rental housing stock by assisting on-going non-profit housing organizations.
  - 5) Resolve the disposition of expiring tax credit rental housing projects.
- ◆ Housing Rehabilitation and Real Estate Division projects also include:
  - 1) Planning and negotiation for acquisition of park sites city-wide.
  - 2) Major acquisition and negotiation projects –
 

<ul style="list-style-type: none"> <li>✓ Antelope Valley storm water management and transportation projects.</li> <li>✓ Antelope Valley redevelopment plan catalyst projects.</li> <li>✓ West Haymarket area redevelopment.</li> <li>✓ Upper Beal Sough relief trunk sewer.</li> <li>✓ Mopac Trail bridge.</li> <li>✓ Arbor Road water main, 56<sup>th</sup> to 70<sup>th</sup>.</li> <li>✓ Stevens Creek sanitary sewer.</li> <li>✓ Special assessment, executive order, and arterial rehab projects.</li> <li>✓ 56<sup>th</sup> &amp; Elkcrest safety project.</li> <li>✓ Harris Overpass.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Pine Lake Road, 84<sup>th</sup> to 98<sup>th</sup> Street.</li> <li>✓ Lincoln Water System Greenwood transmission main.</li> <li>✓ 98<sup>th</sup> Street, Yankee Hill Road to Old Cheney.</li> <li>✓ Alvo Road, NW 20<sup>th</sup> to 1<sup>st</sup> Street.</li> <li>✓ NW 56<sup>th</sup>, Adams to Partridge.</li> <li>✓ West Adams, NW 63<sup>rd</sup> to 48<sup>th</sup> Street.</li> <li>✓ East Adams widening and water main, 75<sup>th</sup> to 94<sup>th</sup> Street.</li> <li>✓ Miscellaneous projects in Public Works &amp; Utilities 6-year CIP program.</li> </ul>
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  - 3) Acquisition and disposition of surplus properties including tax sale lots, street and alley vacation, surplus park sites, surplus right-of-way, and other miscellaneous properties.
  - 4) Relocation projects including Antelope Valley storm management, transportation, and redevelopment plan catalyst projects and West Haymarket Area redevelopment.
- ◆ Neighborhood Revitalization Focus Area project is located in the Hartley neighborhood.
- ◆ The Workforce Investment Act (WIA) is federal legislation which took effect on July 1, 2000. Under this legislation, the Mayor of Lincoln is the designated Chief Elected Official working in conjunction with a 47 member Workforce Investment Board. This Board is constituted by law with a business majority. Other members represent community based organizations, education, economic development, organized labor, and program partner agencies. The Board and the Mayor developed a local Plan to implement WIA that was approved by the State of Nebraska. This Plan serves as the funding document for receipt of Federal WIA funds, which totaled approximately \$1 million in 2007.

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

WIA funds will continue to be used to improve the employment skills of low-income adults and youth, and to assist individuals laid off from area employers (such as Quebecor and Windstream) to re-enter the labor force. WIA funds will be used to assist these individuals to improve basic skills, complete secondary and post-secondary education, gain work experience, and to obtain and retain employment.

A direct mailing to 28,000+ households in the Area of Substantial Unemployment in the city will be made informing them about the services available from the One Stop Career Center. WIA Youth Program will participate in a job fair for disadvantaged youth in partnership with Iota Phi Theta Fraternity, UN-L Chapter. The One Stop will continue to assist employers (such as Verizon, Farmland, ASI, and Scott Project) with on-site recruiting.

### West Haymarket Project

The West Haymarket Redevelopment Project encompasses an area of approximately 150 acres on the western edge of Downtown Lincoln. The project's program statement generally calls for the construction of a 15,000 seat civic arena, a 350-room hotel, and a 120,000 square foot convention center. The project may also include office space, retail businesses, surface and decked parking, and residential units. Supporting infrastructure in the form of roads, bridge crossings, pedestrian walkways, trails, and public open spaces are also planned. The overall project cost is projected to be in the range of \$350 – \$400 million with funding coming from both private and public sources. Private funding will be in the form of developer capital and community donations. Public revenues will be drawn from a wide variety of sources including tax increment financing, arena generated funds, lodging fees, occupation taxes, and other miscellaneous fees.

### Antelope Valley Project

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

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

Projects completed include Fleming Field; Military, Y Street, and Vine Street Bridges and Roadways; the BNSF overpass near Devaney Center; channel work between Salt Creek and Y Street; the BNSF railroad bridge project over Antelope Creek; landscaping work on the Military, Y Street, Vine Street roadway projects and on the BNSF overpass project; and the P and Q Street Bridges and Roadways.

The Corps of Engineers also completed most of the channel work between Y Street and Vine Street in 2007.

Work on the East Leg Bridge and Roadway project, which is a BNSF railroad overpass on the east-west roadway along the south side of State Fair Park, and the O Street Bridge and Roadway started in the fall of 2007.

The entire project is projected to cost \$238 million. By the end of 2008, it is expected that nearly 85% of the cost of the Antelope Valley project will have been spent or be under contract.

### Wastewater System

The Lincoln Wastewater System is projecting a capital improvements program in the amount of approximately \$85,814,000 over the 6-year period of fiscal year 2007-08 through fiscal year 2012-13. Of that total, approximately \$75,019,000 will be financed by revenue bonds, approximately \$3,745,000 will be financed by impact fees, \$3,220,000 from TIF funding, approximately \$887,000 will come from developer contributions, with the remaining \$2,943,000 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 \$106,865,000 over the 6-year period of fiscal year 2007-08 through 2012-13. Of these dollars, approximately \$56,367,000 will be financed through revenue bonds, approximately \$2,800,000 will be financed from TIF funding, approximately \$7,560,000 will be financed through impact fees, with the balance of \$40,138,000 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 2008-2013 Streets and Highways capital improvements program and Transportation improvement program identify average annual expenditures of over \$34.6 million for the next six years. Funding for these projects includes \$123 million in City revenues, \$49 million in federal aid, and \$36 million in other funds.

### Infrastructure Impact Fees

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

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

### Property Tax Collections

As of August 31, 2007, current tax collections by the County Treasurer were 96.26% of the tax levy, a decrease of .57% from last year. Allocations of property tax levy by purpose are as follows:

<u>City Tax Levy By Purpose</u>	<u>2006-2007</u>	<u>2005-2006</u>	<u>2004-2005</u>
General Fund	.1687	.1955	.1706
Library	.0427	.0488	.0490
Social Security	.0135	.0139	.0149
Police and Fire Pension	.0208	.0219	.0182
General Obligation Debt	<u>.0376</u>	<u>.0208</u>	<u>.0423</u>
	<u>.2833</u>	<u>.3009</u>	<u>.2950</u>

### Parking Facilities

The City of Lincoln operates the following parking garages:

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

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

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

	<u>2006-2007</u>	<u>2005-2006</u>
Operating Revenue	\$ 6,264,527	6,532,352
Operating Income Before Depreciation	3,482,575	3,757,230
Debt Service	1,998,056	1,998,056
Debt Service Coverage Ratio	1.74	1.88

### 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, 2007, the City estimates that it will incur costs approximating \$16 million to adhere to such requirements (see Note 17 of Notes to the Financial Statements).

### Water And Wastewater System

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

<u>Wastewater System</u>	<u>2006-2007</u>	<u>2005-2006</u>
Operating Revenue	\$19,402,047	17,997,650
Operating Income	1,846,825	1,030,996
Revenue Available For Debt Service	9,336,962	8,179,646
Debt Service	5,086,481	5,108,500
Debt Service Coverage Ratio	1.84	1.60

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

<u>Water System</u>	<u>2006-2007</u>	<u>2005-2006</u>
Operating Revenue	\$25,249,632	25,599,610
Operating Income	4,174,059	5,392,459
Revenue Available For Debt Service	13,485,554	13,489,164
Debt Service	8,952,001	8,964,301
Debt Service Coverage Ratio	1.51	1.50

### 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, 2006, is included in the City's August 31, 2007, 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, 2006. This was the twenty-fourth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

### Acknowledgments

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

Respectfully submitted,

Don Herz  
Finance Director



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lincoln  
Nebraska

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
August 31, 2006

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.



*Charles S. Cox*

President

*Jeffrey R. Emswiler*

Executive Director



**FINANCIAL SECTION**

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lincoln, Nebraska as of and for the year ended August 31, 2007, which collectively comprise the City of Lincoln's basic financial statements. These financial statements are the responsibility of the City of Lincoln's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Lincoln Electric System which represent 56%, 30%, and 73%, 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, 2006, and in our report dated December 29, 2006, we express unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

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

In our opinion, based on our audit and the report of the other accountants, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lincoln, Nebraska as of August 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund, street construction fund and federal grants fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

BKD, LLP

February 1, 2008



## 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, 2007. 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, 2007, by \$1,372,873,714 (net assets). Of this amount, \$38,303,979 (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 \$52,800,142. Of this amount, \$34,724,612, or 66 percent, was an increase in governmental activities and \$18,075,530, or 34 percent, related to business-type activities.
- As of August 31, 2007, the City's governmental funds reported combined ending fund balances of \$214,928,198, an increase of \$42,155,826 in comparison with the prior year. Of this total fund balance, 65 percent, or \$140,701,556, is available for spending at the City's discretion (unreserved fund balance).
- As of August 31, 2007, unreserved fund balance for the general fund was \$27,215,934, or 29 percent of total general fund expenditures.
- The City's total bonded debt increased by \$33,796,000 (4 percent) during the current fiscal year. The key factors in this increase was the issuance of \$20,460,000 in revenue bonds by Lincoln Wastewater System and \$27,000,000 of Highway Allocation Fund bonds.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

The statement of activities presents information showing how the City's net assets changed during the year ended August 31, 2007. 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-eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, the Street Construction fund, and the Federal Grants fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-65 of this report.

**OTHER INFORMATION**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its police and fire employees. Required supplementary information can be found on page 66 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 \$1,372,873,714 at August 31, 2007.

By far the largest portion of the City's net assets (80 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, 2007 and 2006

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and Other Assets	\$ 351,803,367	295,093,325	235,962,147	289,911,082	587,765,514	585,004,407
Capital Assets	565,061,393	541,860,899	1,295,983,463	1,226,525,652	1,861,044,856	1,768,386,551
Total Assets	916,864,760	836,954,224	1,531,945,610	1,516,436,734	2,448,810,370	2,353,390,958
Long-Term Liabilities Outstanding	189,389,458	147,861,604	720,521,396	719,509,376	909,910,854	867,370,980
Other Liabilities	20,864,896	17,206,826	145,160,906	148,739,580	166,025,802	165,946,406
Total Liabilities	210,254,354	165,068,430	865,682,302	868,248,956	1,075,936,656	1,033,317,386
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	433,488,477	417,745,982	638,947,439	626,166,169	1,092,435,916	1,043,912,151
Restricted	215,364,261	194,881,737	26,769,558	23,399,483	242,133,819	218,281,220
Unrestricted (Deficit)	57,757,668	59,258,075	(19,453,689)	(1,377,874)	38,303,979	57,880,201
Total Net Assets	\$ 706,610,406	671,885,794	666,263,308	648,187,778	1,372,873,714	1,320,073,572

An additional portion of the City's net assets (17 percent) represents resources that are subject to external restrictions on their use. The remaining balance of unrestricted net assets (3 percent) may be used to meet the government's ongoing obligations to citizens and creditors.

**City Of Lincoln**  
**Condensed Statements of Activities**  
For the Years Ended August 31, 2007 and 2006

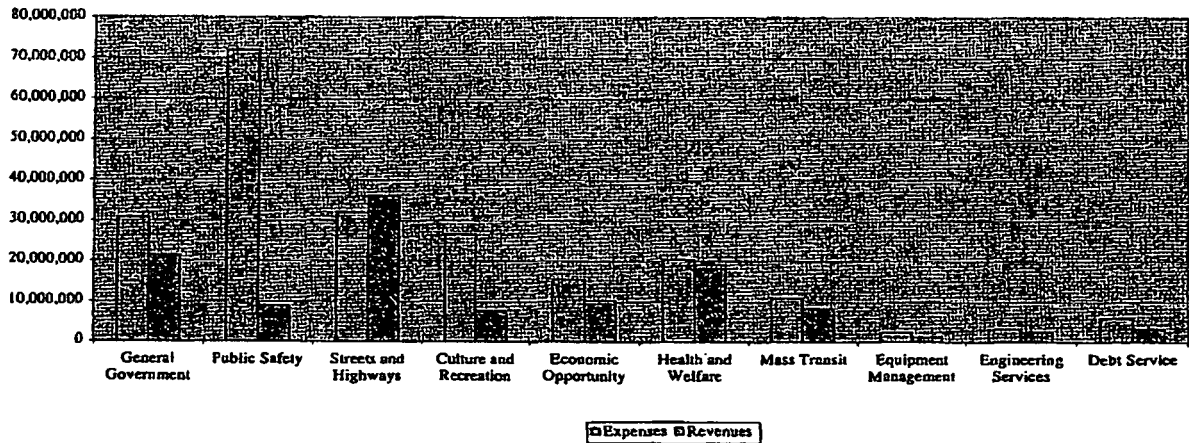
	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 44,445,675	40,715,491	269,038,960	250,844,120	313,484,635	291,559,611
Operating Grants and Contributions	56,089,320	45,068,631	141,346	-	56,230,666	45,068,631
Capital Grants and Contributions	17,990,651	24,519,249	11,359,957	11,092,348	29,350,608	35,611,597
<b>General Revenues:</b>						
Property Tax	45,981,349	43,081,366	-	-	45,981,349	43,081,366
Sales and Use Tax	54,363,413	54,348,587	-	-	54,363,413	54,348,587
Other Taxes	23,929,698	22,760,713	2,195,132	2,232,680	26,124,830	24,993,393
Unrestricted Grants and Contributions	1,573,535	1,589,033	-	-	1,573,535	1,589,033
Unrestricted Investment Earnings	6,355,562	3,650,661	9,333,779	6,187,797	15,689,341	9,838,458
Other	1,456,139	1,671,705	288,597	277,850	1,744,736	1,949,555
<b>Total Revenues</b>	<u>252,185,342</u>	<u>237,405,436</u>	<u>292,357,771</u>	<u>270,634,795</u>	<u>544,543,113</u>	<u>508,040,231</u>
<b>Expenses:</b>						
General Government	30,681,069	30,781,582	-	-	30,681,069	30,781,582
Public Safety	71,999,597	70,390,835	-	-	71,999,597	70,390,835
Streets and Highways	31,953,438	29,293,980	-	-	31,953,438	29,293,980
Culture and Recreation	26,528,155	25,379,286	-	-	26,528,155	25,379,286
Economic Opportunity	15,486,850	16,165,310	-	-	15,486,850	16,165,310
Health and Welfare	20,335,733	20,215,258	-	-	20,335,733	20,215,258
Mass Transit	10,891,704	9,706,032	-	-	10,891,704	9,706,032
Equipment Management	2,363,486	1,789,593	-	-	2,363,486	1,789,593
Engineering Services	3,148,005	2,499,482	-	-	3,148,005	2,499,482
Interest on Long-Term Debt	5,826,378	4,853,854	-	-	5,826,378	4,853,854
Parking	-	-	4,833,961	4,857,024	4,833,961	4,857,024
Golf Courses	-	-	3,167,880	3,169,578	3,167,880	3,169,578
Auditorium	-	-	2,274,043	2,403,906	2,274,043	2,403,906
Solid Waste Management	-	-	6,835,512	6,146,612	6,835,512	6,146,612
Ambulance Transport	-	-	3,679,318	3,793,035	3,679,318	3,793,035
Wastewater	-	-	18,230,853	17,563,692	18,230,853	17,563,692
Water	-	-	23,544,989	23,137,996	23,544,989	23,137,996
Electric	-	-	209,962,000	197,751,000	209,962,000	197,751,000
<b>Total Expenses</b>	<u>219,214,415</u>	<u>211,075,212</u>	<u>272,528,556</u>	<u>258,822,843</u>	<u>491,742,971</u>	<u>469,898,055</u>
<b>Increase in Net Assets Before Transfers</b>	<u>32,970,927</u>	<u>26,330,224</u>	<u>19,829,215</u>	<u>11,811,952</u>	<u>52,800,142</u>	<u>38,142,176</u>
<b>Transfers</b>	<u>1,753,685</u>	<u>1,260,507</u>	<u>(1,753,685)</u>	<u>(1,260,507)</u>	<u>-</u>	<u>-</u>
<b>Increase in Net Assets</b>	<u>34,724,612</u>	<u>27,590,731</u>	<u>18,075,530</u>	<u>10,551,445</u>	<u>52,800,142</u>	<u>38,142,176</u>
<b>Net Assets - Beginning</b>	<u>671,885,794</u>	<u>644,295,063</u>	<u>648,187,778</u>	<u>637,636,333</u>	<u>1,320,073,572</u>	<u>1,281,931,396</u>
<b>Net Assets - Ending</b>	<u>\$ 706,610,406</u>	<u>671,885,794</u>	<u>666,263,308</u>	<u>648,187,778</u>	<u>1,372,873,714</u>	<u>1,320,073,572</u>

**GOVERNMENTAL ACTIVITIES**

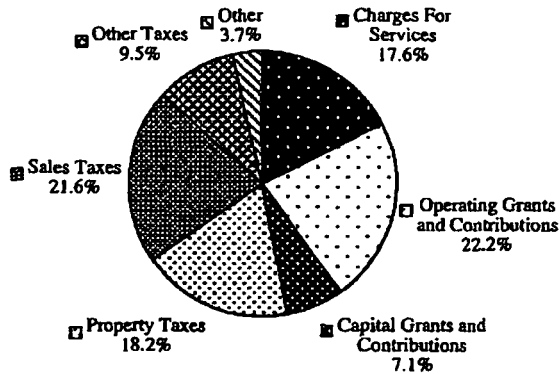
Governmental activities increased the City's net assets by \$34,724,612, accounting for 66 percent of the total growth in the net assets of the City of Lincoln. Key elements of this increase are as follows:

- The City's current year contribution to the Joint Antelope Valley Authority amounted to \$8,503,311.
- Property taxes increased by approximately \$2.9 million (6.7 percent) during 2007. Total growth in the tax base, which includes revaluations, annexations and other adjustments, was 12.95 percent.
- Other taxes increased by approximately \$1.2 million (5 percent). Wheel tax increased 11 percent effective January 1, 2007.
- Unrestricted investment earnings increased by approximately \$2.7 million (74%) during 2007.

### Expenses and Program Revenues - Governmental Activities



### Revenues By Source - Governmental Activities



### BUSINESS-TYPE ACTIVITIES

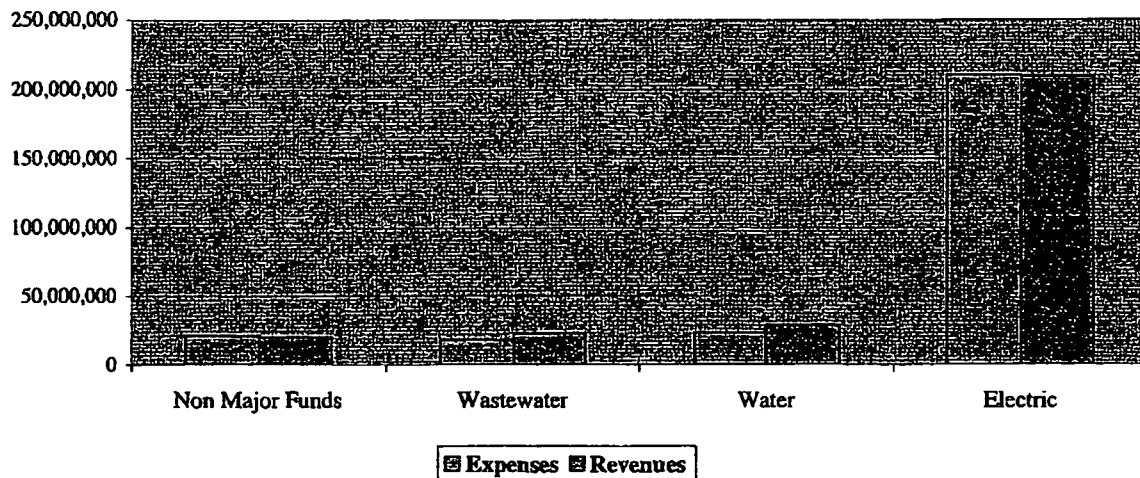
Business-type activities increased the City's net assets by \$18,075,530, accounting for 35 percent of the total growth in the government's net assets. Key elements of this increase are as follows:

- Charges for services increased by approximately \$18 million, or 7 percent. Wastewater revenues increased \$1.4 million (7.95%), primarily due to an increase of 9 percent in user fees implemented in February 2007 and because of increased water usage during the sanitary sewer basis period this fiscal year. Sanitary sewer bills for residential customers are based on water usage during a two-month period during the winter and remain the same over the balance of the following ten-month period.

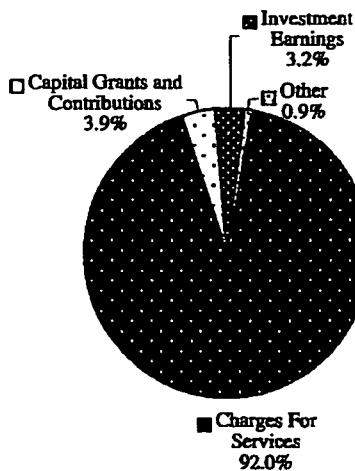
Revenues increased by approximately \$16 million (8.5 percent) for the Electric System in 2006 primarily due to a 4.5 percent rate increase effective April 2006 and a 9 percent rate increase effective August 2005.

- In 2006, LES changed the rate recovery philosophy regarding the recovery of carrying costs of contributed facilities. LES' intent going-forward is to recover carrying costs of contributed facilities in future rate cases.
- Both Lincoln Water and Wastewater Systems reported developer capital contributions in excess of \$3 million each.

**Expenses And Program Revenues - Business-type Activities**



**Revenues By Source - Business-type Activities**



## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

### GOVERNMENTAL FUNDS

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

As of August 31, 2007, the City's governmental funds reported combined ending fund balances of \$214,928,198, an increase of \$42,155,826 in comparison with the prior year. Of this total amount, 65 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 (\$19,143,000),
- pay debt service (\$13,976,879),
- 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 (\$4,106,763).

The General Fund is the chief operating fund of the City. At August 31, 2007, the unreserved fund balance of the General Fund was \$27,215,934, while total fund balance reached \$30,412,704. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 29 percent of total general fund expenditures, while total fund balance represents 32 percent of that same amount.

The fund balance of the City's General Fund increased by \$1,120,666 during 2007. This increase was primarily due to debt proceeds to be used for street lighting left unspent at year end.

The Street Construction Fund had a total fund balance of \$46,517,717, which is to be used in the construction and maintenance of street and highways. The net increase in fund balance during 2007 in the Street Construction Fund was \$28,853,406, a result of proceeds received from the issue of \$27,000,000 of general obligation highway allocation bonds.

The Federal Grants Fund had a fund balance of \$18,558,542, a net increase of \$982,715. While expenditures in the fund increased by \$1,687,003 (8 percent), revenues decreased by only \$239,142 (1 percent) and still exceeded expenditures by \$466,422.

### 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 (deficit) of the Wastewater System, Water System, Electric System, and other enterprise funds amounted to \$6,482,565, \$26,303,284, \$(56,651,000) and \$4,411,462, respectively, at August 31, 2007 (December 31, 2006 for LES). Factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget were relatively minor (decrease of \$126,072 in appropriations) and can be briefly summarized as follows:

- \$46,312 in miscellaneous changes in general government activities.
- \$(443,097) in decreases allocated to public safety.
- \$19,662 in increases allocated to street maintenance.
- \$(37,284) in decreases allocated to parks and recreation.
- \$288,335 in increases allocated for General Fund transfers to other City funds.

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

- \$3,588,099 positive variance in real estate and personal property tax. Actual property collections were 96.26% of the 2006 levy, while estimated tax revenue is based on 90% collections as provided by the City Charter.
- \$1,200,289 positive variance in general government/miscellaneous function expenditures. This variance was the result of better than anticipated insurance and contractual services costs, and contingency funds left unspent.
- \$(2,390,947) 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, 2007, amounts to \$1,861,044,856 (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 2007 was 5 percent (a 4 percent increase for governmental activities and a 6 percent increase for business-type activities).

Major capital asset events during 2007 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 as of August 31, 2007, reached \$86,580,733.
- Continued major electric plant construction including generation (Council Bluffs #4), transmission, substation and distribution system which totaled over \$70 million in 2006.
- Wastewater System capital assets increased by approximately \$12,976,000 (6 percent) due to major project additions such as:
  - ✓ Trunk sewer mains – \$7,937,000
  - ✓ Theresa Street treatment plant – \$5,724,000
- Water System capital assets increased by approximately \$10,753,000 (4 percent) due to major project additions such as:
  - ✓ Water distribution mains - \$5,952,000
  - ✓ Selected main replacements - \$4,691,000

**City Of Lincoln**  
**Capital Assets (net of depreciation)**  
**August 31, 2007 and 2006**

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Land	\$ 61,128,379	57,733,188	18,573,146	17,682,928	79,701,525	75,416,116
Buildings	47,679,644	48,432,468	135,597,833	138,885,792	183,277,477	187,318,260
Improvements Other Than Buildings	37,031,339	32,533,330	350,505,718	329,839,791	387,537,057	362,373,121
Machinery and Equipment	35,313,580	31,524,881	9,817,519	9,265,841	45,131,099	40,790,722
Utility Plant	-	-	555,158,000	555,515,000	555,158,000	555,515,000
Infrastructure	294,265,264	267,683,934	-	-	294,265,264	267,683,934
Construction-in-progress	89,643,187	103,953,098	226,331,247	175,336,300	315,974,434	279,289,398
<b>Total</b>	<b>\$ 565,061,393</b>	<b>541,860,899</b>	<b>1,295,983,463</b>	<b>1,226,525,652</b>	<b>1,861,044,856</b>	<b>1,768,386,551</b>

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

**LONG-TERM DEBT**

At August 31, 2007, the City of Lincoln had total bonded debt outstanding of \$851,573,000. Of this amount, \$133,413,000 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, 2007 and 2006**  
(dollar amounts in thousands)

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
General Obligation Bonds	\$ 133,413	99,347	-	-	133,413	99,347
Tax Supported Bonds	8,515	9,110	-	-	8,515	9,110
Revenue Bonds	-	-	709,645	709,320	709,645	709,320
<b>Total</b>	<b>\$ 141,928</b>	<b>108,457</b>	<b>709,645</b>	<b>709,320</b>	<b>851,573</b>	<b>817,777</b>

The City's total bonded debt increased by \$33,796,000 (4 percent) during 2007. The key factors in this increase was the issuance of \$20,460,000 in revenue bonds by Lincoln Wastewater System to pay for certain improvements to the City sanitary sewer system, and \$27,000,000 of Highway Allocation Fund bonds for improvements to streets, state highways, or federal-aid routes of the City.

The City maintains the following credit ratings:

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



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

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

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

- Property tax revenue required to fund the 2008 budget increased \$1,430,491 or 3.66 percent over the prior year. Total change in the tax base is estimated at 2.03 percent.
- Sales tax collections for 2007 were below projections. 2008 projections reflect a 2.65 percent increase over 2007 actual collections. The 2007 Legislature passed a tax reduction package that narrowed the sales tax base. It is estimated this action will reduce 2008 fiscal year collections by \$260,000.
- Permits and fees are projected to decrease \$798,809 (20.5 percent) because \$912,000 revenue from the natural gas franchise fee was a one-time funding source only available for 2007.
- Fuel and utility charges are considerable and volatile cost items within all City operations and have continued to increase significantly.
- A 7 percent water rate increase and a 9 percent wastewater rate increase were adopted by the City Council and become effective February 2008.
- A hiring freeze and a retirement incentive package have been utilized to create vacant positions, eliminate positions, encourage reorganizations and make budget reductions while at the same time minimizing the number of layoffs. Employees selecting the retirement incentive could terminate employment anytime between September 1, 2007 and November 30, 2007. As a result, some positions that will eventually be eliminated are funded for a partial year in the 2008 budget.

All of these factors were considered in preparing the City's budget for the 2008 fiscal year.

#### **REQUESTS FOR INFORMATION**

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

## **BASIC FINANCIAL STATEMENTS**

**CITY OF LINCOLN, NEBRASKA**  
**STATEMENT OF NET ASSETS**  
**AUGUST 31, 2007**

With Summarized Financial Information as of August 31, 2006

	Governmental Activities	Business-Type Activities	Totals	
			2007	2006
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 37,167,340	28,618,690	65,786,030	35,118,941
Investments	121,136,752	12,949,429	134,086,181	134,948,947
Invested Securities Lending Collateral	4,749,143	-	4,749,143	3,870,941
Receivables, (Net of Allowance for Uncollectibles)	31,503,723	32,975,800	64,479,523	61,789,296
Internal Balances	(5,150,473)	5,150,473	-	-
Due from Other Governments	25,679,459	4,349	25,683,808	27,366,044
Inventories	1,876,355	13,862,250	15,738,605	12,213,961
Plant Operation Assets	-	6,383,000	6,383,000	4,886,000
Prepaid Items	731,946	835,697	1,567,643	2,304,501
Deferred Charges and Other Assets	1,304,055	12,560,341	13,864,396	13,372,967
<b>Restricted Assets:</b>				
Cash and Cash Equivalents	-	32,404,264	32,404,264	1,107,660
Investments	37,160,000	89,470,620	126,630,620	200,278,948
Receivables	-	747,234	747,234	604,445
Investment in Joint Venture	95,645,067	-	95,645,067	87,141,756
<b>Capital Assets:</b>				
Non-depreciable	150,771,566	244,904,393	395,675,959	354,705,514
Depreciable (Net)	414,289,827	1,051,079,070	1,465,368,897	1,413,681,037
<b>Total Assets</b>	<b>916,864,760</b>	<b>1,531,945,610</b>	<b>2,448,810,370</b>	<b>2,353,390,958</b>
<b>LIABILITIES</b>				
Accounts Payable	6,812,768	26,053,052	32,865,820	38,505,797
Accrued Liabilities	4,155,467	11,018,302	15,173,769	12,946,178
Due to Other Governments	1,362,075	135,029	1,497,104	409,476
Unearned Revenue	2,134,983	924,867	3,059,850	2,647,493
Obligations under Securities Lending	4,749,143	-	4,749,143	3,870,941
Other Liabilities	-	6,844,000	6,844,000	6,714,000
Commercial Paper Notes Payable	-	90,000,000	90,000,000	90,000,000
Matured Bonds and Interest Payable	-	-	-	104,249
Accrued Interest Payable	1,650,460	10,185,656	11,836,116	10,748,272
<b>Noncurrent Liabilities:</b>				
<b>Compensated Absences:</b>				
Payable within One Year	6,373,544	891,769	7,265,313	6,725,981
Payable in More Than One Year	5,257,577	582,052	5,839,629	3,898,697
<b>Claims and Judgements:</b>				
Payable within One Year	4,051,875	-	4,051,875	2,746,099
Payable in More Than One Year	2,303,631	-	2,303,631	3,165,285
<b>Bonds, Notes and Leases Payable:</b>				
Due within One Year	8,543,258	24,664,469	33,207,727	26,995,375
Due in More Than One Year	158,878,797	685,433,106	844,311,903	811,878,160
Net Pension Obligation	3,980,776	-	3,980,776	3,570,383
Accrued Landfill Closure/Postclosure Care Costs	-	8,950,000	8,950,000	8,391,000
<b>Total Liabilities</b>	<b>210,254,354</b>	<b>865,682,302</b>	<b>1,075,936,656</b>	<b>1,033,317,386</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	433,488,477	658,947,439	1,092,435,916	1,043,912,151
<b>Restricted for:</b>				
Debt Service, Net of Related Debt	7,166,128	22,756,351	29,922,479	27,879,990
Capital Projects	136,250,781	3,920,317	140,171,098	124,299,751
Grantor Loan Programs	19,143,000	-	19,143,000	17,497,000
Other	654,710	92,890	747,600	732,655
<b>Trust Donations:</b>				
Expendable	1,910,741	-	1,910,741	1,749,588
Nonexpendable	160,000	-	160,000	160,000
<b>Health Care:</b>				
Expendable	13,078,901	-	13,078,901	8,962,236
Nonexpendable	37,000,000	-	37,000,000	37,000,000
Unrestricted (Deficit)	57,757,668	(19,453,689)	38,303,979	57,880,201
<b>Total Net Assets</b>	<b>\$ 706,610,406</b>	<b>666,263,308</b>	<b>1,372,873,714</b>	<b>1,320,073,572</b>

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

**CITY OF LINCOLN, NEBRASKA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED AUGUST 31, 2007**  
 With Summarized Financial Information for the Year Ended August 31, 2006

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Totals	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	2007	2006
<b>Governmental Activities:</b>								
General Government	\$ (30,681,069)	19,617,633	1,395,767	335,254	(9,332,415)	-	(9,332,415)	(13,062,683)
Public Safety	(71,999,597)	5,490,790	3,249,163	224,212	(63,035,432)	-	(63,035,432)	(59,818,823)
Streets and Highways	(31,953,438)	6,105,933	16,223,950	13,727,190	4,103,635	-	4,103,635	9,669,657
Culture and Recreation	(26,528,155)	3,485,195	1,888,443	2,185,481	(18,969,036)	-	(18,969,036)	(17,188,145)
Economic Opportunity	(15,486,850)	809,767	9,392,662	55,289	(5,229,132)	-	(5,229,132)	(5,773,555)
Health and Welfare	(20,335,733)	3,554,840	15,646,927	-	(1,133,966)	-	(1,133,966)	(6,403,015)
Mass Transit	(10,891,704)	1,525,089	6,772,408	-	(2,594,207)	-	(2,594,207)	(6,328,405)
Equipment Management	(2,363,486)	1,264,810	-	-	(1,098,676)	-	(1,098,676)	(92,656)
Engineering Services	(3,148,005)	2,287,906	-	169,807	(690,292)	-	(690,292)	(328,452)
Interest on Long-Term Debt	(5,826,378)	303,712	1,520,000	1,293,418	(2,709,248)	-	(2,709,248)	(1,445,764)
<b>Total Governmental Activities</b>	<b>(219,214,415)</b>	<b>44,445,675</b>	<b>56,089,320</b>	<b>17,990,651</b>	<b>(100,688,769)</b>	<b>-</b>	<b>(100,688,769)</b>	<b>(100,771,841)</b>
<b>Business-Type Activities:</b>								
Parking Lots	(217,915)	216,723	-	-	-	(1,192)	(1,192)	14,228
Golf	(3,167,880)	2,903,859	-	-	-	(264,021)	(264,021)	(181,506)
Parking Facilities	(4,616,046)	6,264,615	-	-	-	1,648,569	1,648,569	1,878,217
Municipal Auditorium	(2,274,043)	1,620,807	-	-	-	(653,236)	(653,236)	(469,564)
Solid Waste Management	(6,835,512)	5,202,465	-	-	-	(1,633,047)	(1,633,047)	(2,017,782)
Emergency Medical Services	(3,679,318)	3,764,181	-	-	-	84,863	84,863	(503,833)
Wastewater System	(18,230,853)	19,379,833	141,346	3,047,677	-	4,338,003	4,338,003	5,493,657
Water System	(23,544,989)	25,159,477	-	3,420,280	-	5,034,768	5,034,768	8,282,208
Electric System	(209,962,000)	204,527,000	-	4,892,000	-	(543,000)	(543,000)	(9,382,000)
<b>Total Business-Type Activities</b>	<b>(272,528,556)</b>	<b>269,038,960</b>	<b>141,346</b>	<b>11,359,957</b>	<b>-</b>	<b>8,011,707</b>	<b>8,011,707</b>	<b>3,113,625</b>
<b>Total Primary Government</b>	<b>\$ (491,742,971)</b>	<b>313,484,635</b>	<b>56,230,666</b>	<b>29,350,608</b>	<b>(100,688,769)</b>	<b>8,011,707</b>	<b>(92,677,062)</b>	<b>(97,658,216)</b>
<b>General Revenues:</b>								
Property Tax					45,981,349	-	45,981,349	43,081,366
Motor Vehicle Tax					4,298,290	-	4,298,290	4,249,847
Wheel Tax					10,059,772	-	10,059,772	9,250,300
Sales and Use Tax					54,363,413	-	54,363,413	54,348,587
Sundry and In Lieu Tax					37,235	-	37,235	35,020
Occupation Tax					9,534,401	2,195,132	11,729,533	11,458,226
Unrestricted Grants and Contributions					1,573,535	-	1,573,535	1,589,033
Unrestricted Investment Earnings					6,355,562	9,333,779	15,689,341	9,838,458
Miscellaneous General Revenues					907,513	176,226	1,083,739	1,277,957
Gain on Sale of Capital Assets					548,626	112,371	660,997	671,598
Transfers					1,753,685	(1,753,685)	-	-
<b>Total General Revenues and Transfers</b>					<b>135,413,381</b>	<b>10,063,823</b>	<b>145,477,204</b>	<b>135,800,392</b>
<b>Change in Net Assets</b>					<b>34,724,612</b>	<b>18,075,530</b>	<b>52,800,142</b>	<b>38,142,176</b>
<b>Net Assets - Beginning</b>					<b>671,885,794</b>	<b>648,187,778</b>	<b>1,320,073,572</b>	<b>1,281,931,396</b>
<b>Net Assets - Ending</b>					<b>\$ 706,610,406</b>	<b>666,263,308</b>	<b>1,372,873,714</b>	<b>1,320,073,572</b>

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

CITY OF LINCOLN, NEBRASKA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2007

	General Fund	Street Construction Fund	Federal Grants Fund	Other Governmental Funds	Total
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 4,073,318	7,613,078	-	21,257,578	32,943,974
Investments	10,432,332	28,083,624	-	104,217,711	142,733,667
Invested Securities Lending Collateral	-	-	-	4,749,143	4,749,143
Receivables, (Net of Allowance for Uncollectibles)	4,915,768	348,605	19,205,301	6,394,506	30,864,180
Due from Other Funds	3,507,480	10,509,125	-	5,989,879	20,006,484
Due from Other Governments	10,045,198	10,953,020	2,650,280	1,863,028	25,511,526
Inventories	531,436	59,243	-	682,250	1,272,929
Prepaid Items	13,563,230	-	-	-	13,563,230
<b>Total Assets</b>	<u>47,068,762</u>	<u>57,566,695</u>	<u>21,855,581</u>	<u>145,154,095</u>	<u>271,645,133</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts Payable	733,331	2,293,848	556,599	1,470,253	5,054,031
Contracts Payable	-	700,299	-	645,272	1,345,571
Accrued Liabilities	1,499,237	70,149	225,610	1,212,191	3,007,187
Due to Other Funds	12,767,058	6,083	1,113,479	12,720,079	26,606,699
Due to Other Governments	241,159	66	712,592	104,006	1,057,823
Unearned Revenue	-	-	-	1,539,924	1,539,924
Obligations under Securities Lending	-	-	-	4,749,143	4,749,143
Deferred Revenue	1,415,273	7,978,533	688,759	3,273,992	13,356,557
<b>Total Liabilities</b>	<u>16,656,058</u>	<u>11,048,978</u>	<u>3,297,039</u>	<u>25,714,860</u>	<u>56,716,935</u>
<b>Fund Balances:</b>					
<b>Reserved for:</b>					
Inventories	531,436	59,243	-	682,250	1,272,929
Prepaid Items	417,321	-	-	-	417,321
Improvements	1,593,303	-	-	8,500	1,601,803
Grantor Loan Programs	-	-	19,143,000	-	19,143,000
Restricted Funds	654,710	-	-	-	654,710
Debt Service	-	-	-	13,976,879	13,976,879
Trust Donations (non-expendable)	-	-	-	160,000	160,000
Health Care (non-expendable)	-	-	-	37,000,000	37,000,000
<b>Unreserved, Reported in:</b>					
<b>General Fund:</b>					
Designated for Debt Service	379,035	-	-	-	379,035
Designated for Subsequent Years Expenditures	3,079,398	-	-	-	3,079,398
Designated for Encumbrances	569,068	-	-	-	569,068
Undesignated (Deficit)	23,188,433	-	-	-	23,188,433
<b>Special Revenue Funds:</b>					
Designated for Subsequent Years Expenditures	-	9,309	-	965,028	974,337
Designated for Encumbrances	-	21,659,898	-	1,562,246	23,222,144
Undesignated (Deficit)	-	24,789,267	(584,458)	16,967,143	41,171,952
Debt Service Funds	-	-	-	9,933,914	9,933,914
<b>Capital Projects Funds:</b>					
Designated for Encumbrances	-	-	-	2,750,856	2,750,856
Undesignated	-	-	-	21,823,160	21,823,160
Permanent Funds	-	-	-	13,609,259	13,609,259
<b>Total Fund Balances</b>	<u>30,412,704</u>	<u>46,517,717</u>	<u>18,558,542</u>	<u>119,439,235</u>	<u>214,928,198</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 47,068,762</u>	<u>57,566,695</u>	<u>21,855,581</u>	<u>145,154,095</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.	541,733,317
Investment in joint venture is not a financial resource and, therefore, not reported in the funds.	95,645,067
Other long-term assets are not available to pay for current-period expenditures and, therefore, deferred in the funds.	13,356,557
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.	23,993,386
Accrued pension contribution, special termination and other liabilities require the use of unavailable financial resources and, therefore, are not reported in the funds.	(1,118,613)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, not reported in the funds.	<u>(181,927,506)</u>
<b>Net assets of governmental activities</b>	<u>\$ 706,610,406</u>

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

**CITY OF LINCOLN, NEBRASKA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2007**

	General Fund	Street Construction Fund	Federal Grants Fund	Other Governmental Funds	Total
<b>REVENUES</b>					
Taxes:					
Property	\$ 26,854,114	-	-	19,149,605	46,003,719
Motor Vehicle	4,298,290	-	-	-	4,298,290
Wheel	-	-	-	10,059,772	10,059,772
Sales and Use	54,363,413	-	-	-	54,363,413
Sundry and In Lieu	25,353	-	-	9,762	35,115
Occupation	9,054,831	-	-	-	9,054,831
Special Assessment	2,306	-	-	1,510,942	1,513,248
Intergovernmental	2,963,083	25,885,965	21,357,361	13,721,634	63,928,043
Permits and Fees	3,825,854	4,250,783	699,354	10,350,248	19,126,239
Reimbursement for Services	5,220,138	2,971	402,255	865,748	6,491,112
Program Income	-	-	34,155	-	34,155
Investment Earnings	873,087	1,086,774	31,579	8,380,125	10,371,565
Donations	645,793	-	79,058	222,588	947,439
Keno Proceeds	-	-	-	2,798,262	2,798,262
Miscellaneous	750,263	1,235,062	78,143	1,208,783	3,272,251
<b>Total Revenues</b>	<u>108,876,525</u>	<u>32,461,555</u>	<u>22,681,905</u>	<u>68,277,469</u>	<u>232,297,454</u>
<b>EXPENDITURES</b>					
Current:					
General Government	26,576,545	-	188,584	7,181,129	33,946,258
Public Safety	48,515,282	-	4,003,174	8,435,195	60,953,651
Streets and Highways	8,452,096	6,165,985	1,554	2,810,817	17,430,452
Culture and Recreation	11,145,161	-	2,116,924	8,457,459	21,719,544
Economic Opportunity	218,570	-	7,103,364	4,348,381	11,670,315
Health and Welfare	301,318	-	8,655,745	11,421,800	20,378,863
Mass Transit	-	-	146,138	14,731,219	14,877,357
Debt Service	80,112	-	-	11,509,608	11,589,720
Capital Outlay	-	30,970,732	-	13,985,222	44,955,954
<b>Total Expenditures</b>	<u>95,289,084</u>	<u>37,136,717</u>	<u>22,215,483</u>	<u>82,880,830</u>	<u>237,522,114</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>13,587,441</u>	<u>(4,675,162)</u>	<u>466,422</u>	<u>(14,603,361)</u>	<u>(5,224,660)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	3,305,338	10,911,613	516,849	27,938,872	42,672,672
Transfers Out	(21,337,665)	(4,650,376)	(556)	(14,654,706)	(40,643,303)
Issuance of Debt	5,500,000	27,000,000	-	12,088,425	44,588,425
Premium on Debt Issued	5,091	267,331	-	212,389	484,811
Discount on Debt Issued	-	-	-	(5,255)	(5,255)
Sale of Capital Assets	60,461	-	-	222,675	283,136
<b>Total Other Financing Sources (Uses)</b>	<u>(12,466,775)</u>	<u>33,528,568</u>	<u>516,293</u>	<u>25,802,400</u>	<u>47,380,486</u>
<b>Net Change in Fund Balances</b>	<u>1,120,666</u>	<u>28,853,406</u>	<u>982,715</u>	<u>11,199,039</u>	<u>42,155,826</u>
<b>Fund Balances - Beginning</b>	<u>29,292,038</u>	<u>17,664,311</u>	<u>17,575,827</u>	<u>108,240,196</u>	<u>172,772,372</u>
<b>Fund Balances - Ending</b>	<u>\$ 30,412,704</u>	<u>46,517,717</u>	<u>18,558,542</u>	<u>119,439,235</u>	<u>214,928,198</u>

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

**CITY OF LINCOLN, NEBRASKA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED AUGUST 31, 2007**

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

Net change in fund balances - total governmental funds	\$ 42,155,826
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	19,497,770
The net effect of various miscellaneous transactions involving capital contributions is to increase net assets.	5,935,163
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(1,307,685)
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.	(38,089,050)
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.	(3,941,807)
Changes in the net pension asset/obligation do not represent financial activity in governmental funds.	(410,393)
Changes in the interest in the underlying net assets of the joint venture do not represent financial activity in governmental funds.	8,503,311
Some pension contribution expenses require the use of unavailable financial resources and, therefore, are not reported as expenditures in governmental funds.	1,285
Internal service funds are used by management to charge the costs of certain services to individual funds.	<u>2,380,192</u>
Change in net assets of governmental activities	<u>\$ 34,724,612</u>

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

CITY OF LINCOLN, NEBRASKA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)  
FOR THE YEAR ENDED AUGUST 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Real Estate and Personal Property Tax	\$ 29,062,234	29,062,234	32,650,333	3,588,099
Taxes Collected by Others	54,219,949	54,219,949	53,960,485	(259,464)
Sundry Taxes and In Lieu	26,002	26,002	25,431	(571)
Occupation Taxes	9,634,727	9,634,727	9,871,053	236,326
Intergovernmental	2,959,242	2,959,242	3,121,260	162,018
Permits and Fees	3,564,535	3,564,535	3,421,249	(143,286)
Reimbursement for Services	2,530,447	2,530,447	2,528,006	(2,441)
Court Fees	382,000	382,000	495,049	113,049
Recreation Receipts	2,153,529	2,153,529	2,124,846	(28,683)
Investment Earnings	558,367	558,367	827,437	269,070
Donations	645,311	645,311	646,886	1,575
Rental Income	535,631	535,631	621,442	85,811
Miscellaneous	506,002	506,002	518,105	12,103
<b>Total Revenues</b>	<b>106,777,976</b>	<b>106,777,976</b>	<b>110,811,582</b>	<b>4,033,606</b>
<b>Expenditures:</b>				
<b>General Government:</b>				
Legislative	324,492	307,223	268,865	38,358
Executive	1,298,453	1,356,653	1,259,758	96,895
Financial Administration	2,244,459	2,204,459	2,134,870	69,589
Law	2,047,700	2,052,700	2,030,374	22,326
Personnel Administration	906,578	906,578	887,945	18,633
Planning and Zoning	1,679,249	1,679,249	1,528,546	150,703
Urban Development	855,139	881,139	887,928	(6,789)
Miscellaneous	18,699,067	18,713,448	17,513,159	1,200,289
<b>Total General Government</b>	<b>28,055,137</b>	<b>28,101,449</b>	<b>26,511,445</b>	<b>1,590,004</b>
<b>Public Safety:</b>				
Police	29,412,464	29,028,164	28,301,649	726,515
Fire	19,346,382	19,286,010	18,727,388	558,622
Traffic Engineering	1,607,818	1,609,393	1,543,467	65,926
<b>Total Public Safety</b>	<b>50,366,664</b>	<b>49,923,567</b>	<b>48,572,504</b>	<b>1,351,063</b>
<b>Streets and Highways:</b>				
Street Maintenance	2,308,424	2,328,086	2,435,640	(107,554)
Street Lighting	3,632,410	3,632,410	6,023,357	(2,390,947)
<b>Total Streets and Highways</b>	<b>5,940,834</b>	<b>5,960,496</b>	<b>8,458,997</b>	<b>(2,498,501)</b>
<b>Culture and Recreation:</b>				
Parks and Recreation	11,645,704	11,608,420	11,186,659	421,761
Libraries	136,582	136,582	136,582	-
<b>Total Culture and Recreation</b>	<b>11,782,286</b>	<b>11,745,002</b>	<b>11,323,241</b>	<b>421,761</b>
<b>Economic Opportunity:</b>				
Lincoln Area Agency on Aging	219,140	219,140	219,140	-
<b>Health and Welfare:</b>				
Lincoln/Lancaster County Health	316,527	316,527	316,527	-
<b>Debt Service:</b>				
Issuance and Management Costs	-	-	80,112	(80,112)
<b>Total Expenditures</b>	<b>96,680,588</b>	<b>96,266,181</b>	<b>95,481,966</b>	<b>784,215</b>
<b>Excess of Revenues Over Expenditures</b>	<b>10,097,388</b>	<b>10,511,795</b>	<b>15,329,616</b>	<b>4,817,821</b>
<b>Other Financing Sources (Uses):</b>				
Transfers In	2,553,019	2,553,019	3,302,291	749,272
Transfers Out	(19,399,059)	(19,687,394)	(21,337,665)	(1,650,271)
Proceeds from Issuance of Debt	5,500,000	5,500,000	5,500,000	-
Premium on Debt Issued	-	-	5,091	5,091
Sale of Capital Assets	62,659	62,659	60,461	(2,198)
<b>Total Other Financing Sources (Uses)</b>	<b>(11,283,381)</b>	<b>(11,571,716)</b>	<b>(12,469,822)</b>	<b>(898,106)</b>
<b>Net Change in Fund Balances</b>	<b>(1,185,993)</b>	<b>(1,059,921)</b>	<b>2,859,794</b>	<b>3,919,715</b>
Fund Balances - Beginning	16,603,008	16,603,008	16,603,008	-
Fund Balances - Ending	\$ 15,417,015	15,543,087	19,462,802	3,919,715

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, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental	\$ 12,794,018	12,794,018	15,826,903	3,032,885
Permits and Fees	-	-	2,314,448	2,314,448
Reimbursement for Services	400,000	400,000	3,061	(396,939)
Investment Earnings	200,000	200,000	99,984	(100,016)
Miscellaneous	-	-	930	930
Total Revenues	<u>13,394,018</u>	<u>13,394,018</u>	<u>18,245,326</u>	<u>4,851,308</u>
<b>Expenditures – Streets and Highways:</b>				
Personal Services	3,262,440	3,262,440	3,283,321	(20,881)
Materials and Supplies	514,200	514,200	459,981	54,219
Other Services and Charges	2,941,093	2,941,093	2,159,282	781,811
Capital Outlay	76,100	76,100	68,476	7,624
Total Expenditures	<u>6,793,833</u>	<u>6,793,833</u>	<u>5,971,060</u>	<u>822,773</u>
Excess of Revenues Over Expenditures	<u>6,600,185</u>	<u>6,600,185</u>	<u>12,274,266</u>	<u>5,674,081</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	10,911,613	10,911,613	10,911,613	-
Transfers Out	(4,650,376)	(4,650,376)	(4,650,376)	-
Issuance of Debt	27,000,000	27,000,000	27,000,000	-
Premium on Debt Issued	-	-	267,330	267,330
Total Other Financing Sources (Uses)	<u>33,261,237</u>	<u>33,261,237</u>	<u>33,528,567</u>	<u>267,330</u>
Net Change in Fund Balances	39,861,422	39,861,422	45,802,833	5,941,411
Amount Budgeted on Project Basis	(15,313,743)	(15,313,743)	(15,313,743)	-
Fund Balances - Beginning	<u>13,403,554</u>	<u>13,403,554</u>	<u>13,403,554</u>	-
Fund Balances - Ending	<u>\$ 37,951,233</u>	<u>37,951,233</u>	<u>43,892,644</u>	<u>5,941,411</u>

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

CITY OF LINCOLN, NEBRASKA  
 FEDERAL GRANTS FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)  
 FOR THE YEAR ENDED AUGUST 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 21,123,764	21,123,764	20,719,124	(404,640)
Permits and Fees	639,085	639,085	639,085	-
Reimbursement for Services	303,392	303,392	303,392	-
Client Contributions	324	324	324	-
Program Income	1,232,359	1,232,359	1,331,155	98,796
Recreation Receipts	12,793	12,793	12,793	-
Investment Earnings	27,865	27,865	27,979	114
Donations	79,057	79,057	79,057	-
Rental Income	113,873	113,873	102,303	(11,570)
Private Sector Share of Project	50	50	50	-
Miscellaneous	77,909	77,909	78,093	184
<b>Total Revenues</b>	<u>23,610,471</u>	<u>23,610,471</u>	<u>23,293,355</u>	<u>(317,116)</u>
<b>Expenditures:</b>				
<b>General Government:</b>				
Materials and Supplies	507	507	507	-
Other Services and Charges	97,617	97,617	97,617	-
Capital Outlay	129,675	129,675	129,675	-
<b>Total General Government</b>	<u>227,799</u>	<u>227,799</u>	<u>227,799</u>	<u>-</u>
<b>Public Safety:</b>				
Personal Services	1,194,129	1,194,129	1,194,129	-
Materials and Supplies	151,876	151,876	151,876	-
Other Services and Charges	1,168,894	1,168,894	1,168,894	-
Capital Outlay	551,679	551,679	551,679	-
<b>Total Public Safety</b>	<u>3,066,578</u>	<u>3,066,578</u>	<u>3,066,578</u>	<u>-</u>
<b>Culture and Recreation:</b>				
Personal Services	655,668	655,668	655,668	-
Materials and Supplies	28,988	28,988	28,988	-
Other Services and Charges	493,915	493,915	493,915	-
Capital Outlay	1,080,549	1,080,549	1,080,549	-
<b>Total Culture and Recreation</b>	<u>2,259,120</u>	<u>2,259,120</u>	<u>2,259,120</u>	<u>-</u>
<b>Economic Opportunity:</b>				
Personal Services	3,967,337	3,967,337	3,905,780	61,557
Materials and Supplies	127,662	127,662	129,703	(2,041)
Other Services and Charges	1,948,428	1,948,428	1,737,128	211,300
Capital Outlay	4,858	4,858	63,976	(59,118)
Loans and Grants	4,102,511	4,102,511	4,073,255	29,256
<b>Total Economic Opportunity</b>	<u>10,150,796</u>	<u>10,150,796</u>	<u>9,909,842</u>	<u>240,954</u>

(Continued)

(Federal Grants Fund, Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Health and Welfare:				
Personal Services	4,290,212	4,290,212	4,290,212	-
Materials and Supplies	262,466	262,466	262,466	-
Other Services and Charges	3,019,739	3,019,739	3,019,739	-
Capital Outlay	258,687	258,687	258,687	-
Loans and Grants	76,962	76,962	76,962	-
Total Health and Welfare	<u>7,908,066</u>	<u>7,908,066</u>	<u>7,908,066</u>	-
Mass Transit:				
Personal Services	142,867	142,867	142,867	-
Materials and Supplies	5	5	5	-
Other Services and Charges	2,434	2,434	2,434	-
Total Mass Transit	<u>145,306</u>	<u>145,306</u>	<u>145,306</u>	-
Total Expenditures	<u>23,757,665</u>	<u>23,757,665</u>	<u>23,516,711</u>	<u>240,954</u>
Deficiency of Revenues Under Expenditures	<u>(147,194)</u>	<u>(147,194)</u>	<u>(223,356)</u>	<u>(76,162)</u>
Other Financing Sources (Uses):				
Transfers In	516,849	516,849	516,849	-
Transfers Out	(556)	(556)	(556)	-
Total Other Financing Sources (Uses)	<u>516,293</u>	<u>516,293</u>	<u>516,293</u>	-
Net Change in Fund Balances	369,099	369,099	292,937	(76,162)
Fund Deficits - Beginning	<u>(1,360,278)</u>	<u>(1,360,278)</u>	<u>(1,360,278)</u>	-
Fund Deficits - Ending	<u>\$ (991,179)</u>	<u>(991,179)</u>	<u>(1,067,341)</u>	<u>(76,162)</u>

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

CITY OF LINCOLN, NEBRASKA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
AUGUST 31, 2007

	Business-Type Activities – Enterprise Funds				Total	Governmental Activities -- Internal Service Funds
	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Other Enterprise Funds		
<b>ASSETS</b>						
<b>Current Assets:</b>						
Cash and Cash Equivalents	\$ 4,872,559	7,012,925	13,235,000	3,498,206	28,618,690	4,223,366
Investments	-	-	1,997,000	10,952,429	12,949,429	15,563,085
<b>Restricted Assets:</b>						
Cash and Cash Equivalents	-	-	14,287,000	92,890	14,379,890	-
Accounts Receivable, (Net of Allowance for Uncollectibles)	1,373,610	2,765,516	14,002,000	2,117,764	20,258,890	465,607
Accrued Interest Receivable	-	-	519,000	126,042	645,042	173,936
Unbilled Revenues	1,970,331	3,497,537	6,604,000	-	12,071,868	-
Due from Other Funds	2,105,923	4,242,746	-	872,339	7,221,008	2,447,240
Due from Other Governments	-	-	-	4,349	4,349	167,933
Inventories	93,689	822,851	12,758,000	187,710	13,862,250	603,426
Plant Operation Assets	-	-	6,383,000	-	6,383,000	-
Prepaid Expenses	-	-	828,000	7,697	835,697	314,625
<b>Total Current Assets</b>	<b>10,416,112</b>	<b>18,341,575</b>	<b>70,613,000</b>	<b>17,859,426</b>	<b>117,230,113</b>	<b>23,959,218</b>
<b>Noncurrent Assets:</b>						
<b>Restricted Assets:</b>						
Cash and Cash Equivalents	-	-	17,239,000	785,374	18,024,374	-
Investments	24,361,075	33,947,525	27,336,000	3,826,020	89,470,620	-
Accounts Receivable	-	-	-	23	23	-
Accrued Interest Receivable	326,516	358,063	-	62,632	747,211	-
Due from Other Funds	-	-	-	160,102	160,102	-
<b>Total Restricted Assets</b>	<b>24,687,591</b>	<b>34,305,588</b>	<b>44,575,000</b>	<b>4,834,151</b>	<b>108,402,330</b>	<b>-</b>
Deferred Charges	860,136	710,058	10,498,000	492,147	12,560,341	-
<b>Capital Assets:</b>						
Land	3,184,797	4,712,177	-	10,676,172	18,573,146	48,250
Buildings	52,787,209	95,103,963	-	49,269,005	197,160,177	373,146
Improvements Other Than Buildings	206,422,389	232,790,759	-	30,466,044	469,679,192	1,159,425
Machinery and Equipment	7,864,371	5,644,686	-	10,734,163	24,243,220	23,649,110
Utility Plant	-	-	892,674,000	-	892,674,000	-
Construction in Progress	39,104,516	7,944,302	179,170,000	112,429	226,331,247	-
Less Accumulated Depreciation	(70,308,234)	(85,417,597)	(337,516,000)	(39,435,688)	(532,677,519)	(15,047,764)
<b>Total Capital Assets, Net</b>	<b>239,055,048</b>	<b>260,778,290</b>	<b>734,328,000</b>	<b>61,822,125</b>	<b>1,295,983,463</b>	<b>10,182,167</b>
<b>Total Noncurrent Assets</b>	<b>264,602,775</b>	<b>295,793,936</b>	<b>789,401,000</b>	<b>67,148,423</b>	<b>1,416,946,134</b>	<b>10,182,167</b>
<b>Total Assets</b>	<b>275,018,887</b>	<b>314,135,511</b>	<b>860,014,000</b>	<b>85,007,849</b>	<b>1,534,176,247</b>	<b>34,141,385</b>
<b>LIABILITIES</b>						
<b>Current Liabilities:</b>						
Accounts Payable	288,049	540,974	14,615,000	581,138	16,025,161	310,215
Construction Contracts	3,932,978	4,326,913	1,768,000	-	10,027,891	-
Accrued Liabilities	376,864	1,110,356	9,314,000	217,082	11,018,302	435,888
Accrued Compensated Absences	298,861	350,348	-	242,560	891,769	657,185
Due to Other Funds	-	-	-	399,752	399,752	997,498
Due to Other Governments	-	-	-	135,029	135,029	982
Unearned Revenue	-	-	-	924,867	924,867	595,059
Claims	-	-	-	-	-	4,051,875
Accrued Interest	951,707	142,264	9,046,000	45,685	10,185,656	465
Commercial Paper Notes Payable	-	-	90,000,000	-	90,000,000	-
Current Portion of Capital Lease	-	-	-	444,469	444,469	58,886
Current Portion of Long-Term Debt	2,415,000	5,555,000	14,430,000	1,820,000	24,220,000	-
Other	-	-	6,844,000	-	6,844,000	-
<b>Total Current Liabilities</b>	<b>8,263,459</b>	<b>12,025,855</b>	<b>146,017,000</b>	<b>4,810,582</b>	<b>171,116,896</b>	<b>7,108,053</b>
<b>Noncurrent Liabilities:</b>						
Due to Other Funds	-	-	-	1,830,885	1,830,885	-
Accrued Compensated Absences	187,035	339,216	-	55,801	582,052	628,417
Claims	-	-	-	-	-	2,303,631
Long-Term Debt, Net	85,695,062	68,835,091	513,590,000	16,835,424	684,955,577	-
Capital Lease Payable	-	-	-	477,529	477,529	107,898
Accrued Landfill Closure/Postclosure Care Costs	-	-	-	8,950,000	8,950,000	-
<b>Total Noncurrent Liabilities</b>	<b>85,882,097</b>	<b>69,174,307</b>	<b>513,590,000</b>	<b>28,149,639</b>	<b>696,796,043</b>	<b>3,039,946</b>
<b>Total Liabilities</b>	<b>94,145,556</b>	<b>81,200,162</b>	<b>659,607,000</b>	<b>32,960,221</b>	<b>867,912,939</b>	<b>10,147,999</b>
<b>NET ASSETS</b>						
Invested in Capital Assets, Net of Related Debt	173,291,909	204,223,192	235,084,000	46,348,338	658,947,439	10,015,384
<b>Restricted for:</b>						
Debt Service	410,983	205,715	21,974,000	165,653	22,756,351	-
Capital Projects	687,874	2,203,158	-	1,029,285	3,920,317	-
Other	-	-	-	92,890	92,890	-
Unrestricted	6,482,565	26,303,284	(56,651,000)	4,411,462	(19,453,689)	13,978,002
<b>Total Net Assets</b>	<b>\$ 180,873,331</b>	<b>232,935,349</b>	<b>200,407,000</b>	<b>52,047,628</b>	<b>666,263,308</b>	<b>23,993,386</b>

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

**CITY OF LINCOLN, NEBRASKA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2007**

	Business-Type Activities -- Enterprise Funds				Total	Governmental Activities -- Internal Service Funds
	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Other Enterprise Funds		
<b>Operating Revenues</b>						
Charges for Services	\$ 19,402,047	25,249,632	204,527,000	3,764,181	252,942,860	46,227,490
Fees	-	-	-	7,571,304	7,571,304	-
Parking Facility Revenue	-	-	-	6,471,758	6,471,758	-
Performance Revenue	-	-	-	1,527,542	1,527,542	-
Other Operating Revenue	-	-	-	711,568	711,568	-
<b>Total Operating Revenues</b>	<u>19,402,047</u>	<u>25,249,632</u>	<u>204,527,000</u>	<u>20,046,353</u>	<u>269,225,032</u>	<u>46,227,490</u>
<b>Operating Expenses</b>						
Personal Services	-	-	-	6,804,685	6,804,685	12,625,109
Contractual Services	-	-	-	3,789,152	3,789,152	-
Operation and Maintenance	9,888,570	12,190,525	11,427,000	5,532,172	39,038,267	30,577,708
Purchased Power	-	-	115,051,000	-	115,051,000	-
Depreciation	6,092,258	6,724,437	28,665,000	3,399,897	44,881,592	2,464,483
Administrative Costs	1,574,394	2,160,611	21,964,000	-	25,699,005	-
<b>Total Operating Expenses</b>	<u>17,555,222</u>	<u>21,075,573</u>	<u>177,107,000</u>	<u>19,525,906</u>	<u>235,263,701</u>	<u>45,667,300</u>
<b>Operating Income</b>	<u>1,846,825</u>	<u>4,174,059</u>	<u>27,420,000</u>	<u>520,447</u>	<u>33,961,331</u>	<u>560,190</u>
<b>Nonoperating Revenues (Expenses)</b>						
Investment Earnings	1,256,533	2,587,058	4,468,000	1,022,188	9,333,779	1,038,248
Gain on Disposal of Capital Assets	-	-	-	(15,605)	(15,605)	115,684
Occupation Tax	-	-	-	2,195,132	2,195,132	-
Grants	141,346	-	-	-	141,346	154,628
Payments in Lieu of Taxes	-	-	(7,665,000)	-	(7,665,000)	-
Amortization of Deferred Charges	(33,217)	(70,033)	(660,000)	(51,555)	(814,805)	-
Interest Expense and Fiscal Charges	(642,414)	(2,399,383)	(24,530,000)	(1,095,123)	(28,666,920)	(6,625)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>722,248</u>	<u>117,642</u>	<u>(28,387,000)</u>	<u>2,055,037</u>	<u>(25,492,073)</u>	<u>1,301,935</u>
<b>Income (Loss) Before Contributions and Transfers</b>	<u>2,569,073</u>	<u>4,291,701</u>	<u>(967,000)</u>	<u>2,575,484</u>	<u>8,469,258</u>	<u>1,862,125</u>
<b>Capital Contributions</b>	<u>3,047,677</u>	<u>3,420,280</u>	<u>4,892,000</u>	<u>712,421</u>	<u>12,072,378</u>	<u>81,330</u>
Transfers In	-	-	-	529,049	529,049	436,737
Transfers Out	-	-	(1,385,000)	(1,610,155)	(2,995,155)	-
<b>Change in Net Assets</b>	<u>5,616,750</u>	<u>7,711,981</u>	<u>2,540,000</u>	<u>2,206,799</u>	<u>18,075,530</u>	<u>2,380,192</u>
<b>Net Assets - Beginning</b>	<u>175,256,581</u>	<u>225,223,368</u>	<u>197,867,000</u>	<u>49,840,829</u>	<u>648,187,778</u>	<u>21,613,194</u>
<b>Net Assets - Ending</b>	<u>\$ 180,873,331</u>	<u>232,935,349</u>	<u>200,407,000</u>	<u>52,047,628</u>	<u>666,263,308</u>	<u>23,993,386</u>

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

CITY OF LINCOLN, NEBRASKA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2007

	Business-Type Activities -- Enterprise Funds				Total	Governmental Activities -- Internal Service Funds
	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Other Enterprise Funds		
<b>Cash Flows from Operating Activities</b>						
Receipts from Customers and Users	\$ 19,091,648	23,946,047	209,610,000	19,583,834	272,231,529	11,644,581
Receipts from Interfund Services Provided	164,809	557,343	4,638,000	184,536	5,544,688	33,688,029
Payments to Suppliers for Goods and Services	(3,307,614)	(4,013,976)	(143,474,000)	(7,465,923)	(158,261,513)	(28,131,365)
Payments to Employees	(6,274,982)	(7,015,101)	(20,312,000)	(6,778,412)	(40,380,495)	(12,085,543)
Payments for Interfund Services Provided	(1,766,457)	(2,811,145)	(1,750,000)	(1,513,015)	(7,840,617)	(2,230,218)
Other Receipts	-	-	-	711,568	711,568	-
Net Cash Provided by Operating Activities	<u>7,907,404</u>	<u>10,663,168</u>	<u>48,712,000</u>	<u>4,722,588</u>	<u>72,005,160</u>	<u>2,885,484</u>
<b>Cash Flows from Noncapital Financing Activities</b>						
Occupation Tax	-	-	-	2,131,822	2,131,822	-
Payments in Lieu of Taxes	-	-	(7,107,000)	-	(7,107,000)	-
Transfers from Other Funds	-	-	-	529,049	529,049	436,737
Transfers to Other Funds	-	-	(1,299,000)	(1,610,155)	(2,909,155)	-
Advances from General Fund	-	-	-	496,766	496,766	963,171
Repayment of Advances from General Fund	-	-	-	(338,870)	(338,870)	-
Advances to Other Funds	(204,796)	-	-	-	(204,796)	-
Payments from Other Funds	-	1,307,388	-	427,456	1,734,844	236,882
Interest Paid	-	-	-	(74,878)	(74,878)	-
Federal Grant Revenue	141,346	-	-	-	141,346	251,394
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(63,450)</u>	<u>1,307,388</u>	<u>(8,406,000)</u>	<u>1,561,190</u>	<u>(5,600,872)</u>	<u>1,888,184</u>
<b>Cash Flows from Capital and Related Financing Activities</b>						
Additions to Capital Assets	(17,144,983)	(11,116,135)	(74,990,000)	(4,410,326)	(107,661,444)	(2,582,243)
Proceeds from Sale of Capital Assets	-	-	-	102,524	102,524	265,491
Proceeds from Long-Term Debt	20,202,038	-	-	595,560	20,797,598	-
Net Cost of Retiring Plant	-	-	(290,000)	-	(290,000)	-
Capital Contributions	-	-	5,194,000	-	5,194,000	-
Principal Payments of Capital Lease	-	-	-	(377,070)	(377,070)	(56,954)
Principal Payments of Long-Term Debt	(2,005,000)	(5,340,000)	(11,050,000)	(1,740,000)	(20,135,000)	-
Interest and Fiscal Charges Paid	(427,372)	(2,610,005)	(29,640,000)	(1,012,629)	(33,690,006)	(6,784)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>624,683</u>	<u>(19,066,140)</u>	<u>(110,776,000)</u>	<u>(6,841,941)</u>	<u>(136,059,398)</u>	<u>(2,380,490)</u>
<b>Cash Flows from Investing Activities</b>						
Proceeds from Sale and Maturities of Investments	4,039,834	19,548,800	345,943,000	9,418,746	378,950,380	6,562,686
Purchases of Investments	(10,870,376)	(13,730,491)	(231,233,000)	(8,698,833)	(264,532,700)	(8,273,762)
Interest and Other Receipts	930,306	1,937,288	491,000	725,242	4,083,836	758,891
Net Cash Provided (Used) by Investing Activities	<u>(5,900,236)</u>	<u>7,755,597</u>	<u>115,201,000</u>	<u>1,445,155</u>	<u>118,501,516</u>	<u>(952,185)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	<u>2,568,401</u>	<u>660,013</u>	<u>44,731,000</u>	<u>886,992</u>	<u>48,846,406</u>	<u>1,440,993</u>
Cash and Cash Equivalents - Beginning	2,304,158	6,352,912	30,000	3,489,478	12,176,548	2,782,373
Cash and Cash Equivalents - Ending	<u>\$ 4,872,559</u>	<u>7,012,925</u>	<u>44,761,000</u>	<u>4,376,470</u>	<u>61,022,954</u>	<u>4,223,366</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>						
Operating Income	\$ 1,846,825	4,174,059	27,420,000	520,447	33,961,331	560,190
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation	6,092,258	6,724,437	28,665,000	3,399,897	44,881,592	2,464,483
Changes in Assets and Liabilities:						
Accounts Receivable and Unbilled Revenues	(139,590)	(737,442)	(2,422,000)	(304,760)	(3,603,792)	(362,390)
Due from Other Funds	-	-	-	5,102	5,102	(728,646)
Due from Other Governments	-	-	-	(1,537)	(1,537)	160,619
Inventories	57,968	37,817	(3,622,000)	(9,113)	(3,535,328)	(21,132)
Plant Operation Assets	-	-	(1,497,000)	-	(1,497,000)	-
Prepaid Expenses	-	-	747,000	18,348	765,348	34,096
Other Assets	-	-	(90,000)	-	(90,000)	-
Accounts Payable	(32,707)	(120,410)	(619,000)	(211,274)	(983,391)	(240,497)
Accrued Liabilities	30,035	445,303	-	16,216	491,554	206,782
Accrued Compensated Absences	52,615	139,404	-	10,057	202,076	332,784
Due to Other Funds	-	-	-	1,199	1,199	(380)
Due to Other Governments	-	-	-	16,989	16,989	(84)
Unearned Revenue	-	-	-	702,017	702,017	35,537
Claims	-	-	-	-	-	444,122
Deferred Credits and Other Liabilities	-	-	130,000	-	130,000	-
Accrued Landfill Closure/Postclosure Cure Costs	-	-	-	559,000	559,000	-
Total Adjustments	<u>6,060,579</u>	<u>6,489,109</u>	<u>21,292,000</u>	<u>4,202,141</u>	<u>38,043,829</u>	<u>2,325,294</u>
Net Cash Provided by Operating Activities	<u>\$ 7,907,404</u>	<u>10,663,168</u>	<u>48,712,000</u>	<u>4,722,588</u>	<u>72,005,160</u>	<u>2,885,484</u>
<b>Supplemental Disclosure of Noncash Investing, Capital, and Financing Activities:</b>						
Contribution of Capital Assets	\$ 2,547,514	1,870,475	-	712,421	5,130,410	81,330
Capital Asset Trade-Ins	-	-	-	44,678	44,678	30,510
Purchase of Capital Assets on Account	3,932,978	4,326,913	-	12,227	8,272,118	-
Change in Fair Value of Investments	<u>222,970</u>	<u>630,439</u>	<u>2,544,000</u>	<u>245,710</u>	<u>3,643,119</u>	<u>228,530</u>

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, 2007

	Police & Fire Pension Trust Fund	Agency Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 11,302,832	3,599,076
Investments:		
Pooled Investment Funds	1,171,758	-
U.S. Agency Obligations	4,973,954	2,829,592
Corporate Bonds	1,980,000	-
Municipal Bonds	1,058,499	-
Mutual Funds	157,222,042	-
Real Estate Limited Partnership	20,255,952	-
Other	607,550	-
Total Investments	187,269,755	2,829,592
Receivables:		
Contributions	455,335	-
Accrued Interest	909,104	40,620
Other	-	34,493
Due from Other Governments	209	-
Contractor Retainage	-	740,204
Total Assets	199,937,235	7,243,985
<b>LIABILITIES</b>		
Warrants Payable	-	1,803,986
Accounts Payable	137,049	173,048
Accrued Liabilities	2,416	-
Accrued Compensated Absences	13,822	-
Due to Other Governments	-	3,676,845
Due to Homeowners	-	39,952
Due to Contractors	-	1,248,107
Due to Joint Venture	-	184,121
Due to Bondholders	-	117,926
Total Liabilities	153,287	7,243,985
<b>NET ASSETS</b>		
Held in Trust for Pension Benefits and Other Purposes	\$ 199,783,948	-

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, 2007**

	<u>Police &amp; Fire Pension Trust Fund</u>
<b>Additions:</b>	
<b>Contributions:</b>	
Employer	\$ 3,527,523
Employee	2,043,976
<b>Total Contributions</b>	<u>5,571,499</u>
<b>Investment Earnings:</b>	
Interest	1,192,046
Dividends	2,645,110
Net Increase in Fair Value of Investments	20,917,245
<b>Net Investment Earnings</b>	<u>24,754,401</u>
<b>Total Additions</b>	<u>30,325,900</u>
<b>Deductions:</b>	
Benefit Payments	8,515,087
Refunds of Contributions	956,618
Administrative Costs	328,612
<b>Total Deductions</b>	<u>9,800,317</u>
<b>Change in Net Assets</b>	20,525,583
<b>Net Assets Held in Trust for Pension Benefits and Other Purposes - Beginning</b>	<u>179,258,365</u>
<b>Net Assets Held in Trust for Pension Benefits - and Other Purposes - Ending</b>	<u>\$ 199,783,948</u>

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

**NOTES TO THE  
FINANCIAL STATEMENTS**

CITY OF LINCOLN, NEBRASKA  
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(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

FISCAL YEAR-END

All funds of the City, with the exception of Lincoln Electric System (LES), are reported as of and for the year ended August 31, 2007. 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, 2006. The amounts included in the City's 2007 financial statements for LES are amounts as of and for the year ended December 31, 2006.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

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

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major enterprise funds:

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

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

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

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

#### ASSETS, LIABILITIES, AND NET ASSETS OR FUND EQUITY

##### Deposits and Investments

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

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

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

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

Receivables and Payables

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

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

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

Inventories and Prepaid Items

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

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

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

Deferred Charges

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

Investment in Joint Venture

Investment in joint venture consists of the City's interest in the Joint Antelope Valley Authority (see Note 21), 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.

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

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

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

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

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

Compensated Absences

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

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

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

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

Termination Benefits

The City established a Temporary Retirement Incentive Program, offered February 1, 2007 until May 7, 2007, for the purpose of encouraging eligible employees considering an early leave decision to accelerate their retirement plans. Eligible employees included those age 55 with 20 years of service or age 62 and older. Forty-seven employees elected to voluntarily resign from City employment beginning September 1, 2007, but no later than November 30, 2007. As material inducement the City has agreed to contribute \$15,000 plus an amount equal to 15% of accrued sick leave balance at the time of retirement to the employee's Post Employment Health Plan account. Such amounts are in addition to any accrued sick leave otherwise payable upon retirement.

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The City records a liability and expense at the government-wide level and in the proprietary funds upon election by the employees to participate in the Program. The liability at August 31, 2007 and expense in the 2007 government-wide financial statements approximated \$880,000. In the governmental fund financial statements, liability and expense are not recognized until employees actually terminate employment, therefore no governmental fund-level expense was recognized in fiscal 2007 for this Program.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt using the bonds-outstanding method.

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 \$22,485,375 of the General Fund's unreserved fund balance of \$27,215,934 meets the requirements of this policy, leaving an additional unreserved balance of \$4,730,559.

Net Assets Classification

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

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

*Restricted* – This component of net assets consists of restrictions placed on net assets use through external constraints imposed by creditors (such as debt covenants), 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 \$242,133,819 of restricted net assets, of which \$19,340,511 is restricted by enabling legislation.



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

**BUDGETARY DATA**

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

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

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

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

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

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

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ENDOWMENTS

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

PRIOR-YEAR SUMMARIZED FINANCIAL INFORMATION

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's basic financial statements as of and for the year ended August 31, 2006, 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.

NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued its Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension*. Statement 45 establishes standards for the measurement, recognition, and display of other postemployment benefits expense and related liabilities or assets, note disclosures, and if applicable, required supplementary information. The City has begun analysis of OPEB and expects to complete it by the implementation deadline.

GASB has also issued its Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. Statement 49 addresses standards for pollution remediation obligations dealing with the current or potential detrimental effects of existing pollution by participation in pollution remediation activities such as site assessments and cleanups. The City will review these standards for possible application during the year ending August 31, 2009.

GASB has also issued its Statement 50, *Pension Disclosures*. Statement 50 aligns financial reporting requirements for pensions with those of other postemployment benefits. The City will review these standards in preparation for meeting the implementation deadline as established by the Statement.

(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 that "Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, not reported in the funds." The details of the \$181,927,506 difference are as follows:

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Bonds Payable	\$ 141,928,447
Less deferred charge for issuance costs	(1,304,055)
Less issuance discounts	(26,452)
Plus issuance premiums	2,728,016
Capital Leases Payable	22,625,260
Accrued Interest Payable	1,649,995
Net Pension Obligation	3,980,776
Compensated Absences	<u>10,345,519</u>
Net difference	<u>\$ 181,927,506</u>

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

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances – total governmental funds* and *change in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$19,497,770 difference are as follows:

Capital outlay	\$ 39,837,246
Depreciation expense	<u>(20,339,476)</u>
Net difference	<u>\$ 19,497,770</u>

Another element of that reconciliation states that “The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$(38,089,050) difference are as follows:

Debt issued or incurred:	
Issuance of general obligation stormwater drainage and flood management system bonds	\$ (8,295,000)
Issuance of general obligation highway allocation fund bonds	(27,000,000)
Issuance of tax allocation bonds	(3,793,428)
Issuance of certificates of participation	(5,500,000)
Deferred charge for issuance costs	416,384
Issuance discounts	5,255
Issuance premiums	(484,811)
Amortization of deferred items	(27,139)
Principal repayments	<u>6,589,689</u>
Net difference	<u>\$ (38,089,050)</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$(3,941,807) difference are as follows:

Loss on disposal of capital assets	\$ (764,030)
Termination benefits	(631,337)
Other expense	(107,481)
Accrued interest	(493,555)
Compensated absences	<u>(1,945,404)</u>
Net difference	<u>\$ (3,941,807)</u>

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(3) **RESTRICTED ASSETS**

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

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

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

A recap of restrictions and related balances at August 31, 2007 are as follows:

Fund Account	Golf	Parking Facilities	Pershing Municipal Auditorium	Solid Waste Management	Lincoln Wastewater System	Lincoln Water System	Lincoln Electric System	Totals
Principal and Interest	\$ -	200,092	-	-	-	-	14,287,000	14,487,092
Reserve	316,500	1,815,575	-	400,000	6,404,184	8,120,246	18,501,000	35,557,505
Depreciation and Replacement	100,000	682,850	-	-	-	-	-	782,850
Construction	-	-	-	1,248,342	18,283,407	26,185,342	26,074,000	71,791,091
Capital Improvements	50,669	11,223	8,900	-	-	-	-	70,792
Marketing	-	-	92,890	-	-	-	-	92,890
	\$ 467,169	2,709,740	101,790	1,648,342	24,687,591	34,305,588	58,862,000	122,782,220

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

(4) **DEPOSITS AND INVESTMENTS**

**DEPOSITS**

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

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

At August 31, 2007, the City's cash deposits or certificates of deposit, in excess of the \$100,000 FDIC limits, are covered by collateral held in a Federal Reserve pledge account or by an agent for the City and thus no custodial credit risk exists.

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INVESTMENTS

At August 31, 2007, the City had the following investments, maturities and credit ratings:

Type	August 31, 2007					Credit Rating Moody / S&P
	Fair Value	Less than 1	1-5	6-10	More than 10	
<b>General City:</b>						
U.S. Treasury Obligations	\$ 45,068,016	24,715,000	20,353,016	-	-	N/A
U.S. Sponsored Agency Obligations	183,348,669	82,291,748	97,126,058	3,930,863	-	Aaa / AAA
Collateralized Repurchase Agreements	380,287	380,287	-	-	-	N/A
Collateralized Investment Agreements	1,120,000	-	-	1,120,000	-	Aaa / A
Collateralized Investment Agreements	3,139,981	-	-	-	3,139,981	Aaa/AAA
Collateralized Investment Agreements	4,930,000	-	-	-	4,930,000	Aa/AA
Money Market Mutual Funds - U.S. Treasury	1,739,119	1,739,119	-	-	-	N/A
Money Market Mutual Funds - U.S. Agencies	40,668,825	40,668,825	-	-	-	Aaa / AAA
Money Market Mutual Funds	60,669	60,669	-	-	-	Not Rated
Corporate Bonds	29,315	-	-	29,315	-	A / A
External Investment Trust	5,890,000	5,890,000	-	-	-	Not Rated
Tax Increment Financing Investments	1,908,447	-	-	614,598	1,293,849	Not Rated
<b>Total General City</b>	<b>288,283,328</b>	<b>155,745,648</b>	<b>117,479,074</b>	<b>5,694,776</b>	<b>9,363,830</b>	
<b>Community Health Endowment:</b>						
U.S. Treasury Obligations	3,847,207	737,734	998,072	1,394,140	717,261	Aaa / AAA
U.S. Sponsored Agency Obligations	1,739,957	74,883	978,580	113,060	573,434	Aaa / AAA
U.S. Sponsored Agency Obligations	5,258,208	-	9,246	124,519	5,124,443	Not rated
Money Market Mutual Funds	5,615,614	5,615,614	-	-	-	Not rated
Mortgage-backed Securities	1,032,844	-	51,136	-	981,708	Aaa / AAA
Corporate Bonds	1,056,069	117,879	437,854	322,458	177,878	A / A
Corporate Bonds	48,543	-	-	48,543	-	A / BBB
Corporate Bonds	264,312	-	152,385	111,927	-	Aa / A
Corporate Bonds	483,133	14,996	213,940	194,197	60,000	Aa / AA
Corporate Bonds	2,388,660	-	212,291	396,119	1,780,250	Aaa / AAA
Corporate Bonds	153,782	-	153,782	-	-	Baa / A
Corporate Bonds	1,216,867	-	434,840	482,813	299,214	Baa / BBB
Foreign Obligations	34,150	-	15,638	-	18,512	A / A
Foreign Obligations	161,665	-	-	161,665	-	Aaa / AAA
Foreign Obligations	50,530	-	38,842	11,688	-	Aaa / AAA
Foreign Obligations	45,596	-	21,071	-	24,525	Baa / BB
Mutual Funds - Fixed Income	26,104,636	26,104,636	-	-	-	Not rated
Securities Lending Collateral	4,749,143	4,749,143	-	-	-	Not rated
<b>Total Community Health Endowment:</b>	<b>54,250,916</b>	<b>37,414,885</b>	<b>3,717,677</b>	<b>3,361,129</b>	<b>9,757,225</b>	
<b>Police &amp; Fire Pension Trust:</b>						
U.S. Sponsored Agency Obligations	4,973,954	4,973,954	-	-	-	Aaa / AAA
Corporate Bonds	1,980,000	-	-	-	1,980,000	NotRated/A
Tax Exempt Bonds	1,058,499	-	1,058,499	-	-	Not Rated
Money Market Mutual Funds	10,325,691	10,325,691	-	-	-	Not Rated
Mutual Funds - Fixed Income	27,395,973	27,395,973	-	-	-	Not Rated
	45,734,117	42,695,618	1,058,499	-	1,980,000	
Mutual Funds	130,433,619	-	-	-	-	
Real Estate Limited Partnerships	20,255,952	-	-	-	-	
<b>Total Police &amp; Fire Pension Trust</b>	<b>196,423,688</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Total Primary Government</b>	<b>\$ 538,957,932</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

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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. None of the underlying securities for the City's investments at August 31, 2007 are subject to custodial credit risk, as they are held in an account in the City's name, and by an agent who is not the counterparty to the investment transactions.

*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 interest rate is guaranteed by the issuer. 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. The following investment types must be rated at the minimum rates noted below:

Money Markets	Aa / AA
Corporate Notes	Aa3 / AA-
Investment Agreements	Aa3 / AA-

The \$60,669 non-rated money market fund is held in the J.J. Hompes fund. The money market fund is comprised of highly rated securities. The external investment funds are held in the City's idle fund pool and is comprised of Nebraska Public Agency Investment Trust (NPAIT) and Short-Term Federal Investment Trust (STFIT). NPAIT and STFIT invest in only the highest quality securities, including U.S. government, rated U.S. sponsored agencies, and guaranteed student loans.

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

<u>Type</u>	<u>Portfolio Composition</u>	<u>Policy Limits on Issuer</u>
U.S. agency obligations:		
Federal Home Loan Bank	33.66 %	40.00 %
Federal Home Loan Mortgage Corporation	12.66	40.00
Federal National Mortgage Association	8.63	40.00
Federal Farm Credit Bank	8.66	40.00

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Community Health Endowment (CHE) Policy

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

*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. None of the underlying securities for CHE's investments at August 31, 2007 are subject to custodial credit risk, as they are held in an account in the City's name, and by an agent who is not the counterparty to the investment transactions.

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

*Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. It is CHE's policy to limit its investments in U.S. treasury and U.S. agency obligations to issues with at least Baa / BBB ratings. Short-term fixed income issues should have a minimum A-1 / P-1 rating. Investments in corporate debt, bank loan portfolios, and associated high yield fixed income mutual funds must have a minimum average credit rating of B-.

*Concentration of Credit Risk.* CHE limits the percentage of cost that may be invested in any one industry, company and issuer by an investment manager. The limits vary depending on the type of investment. Investments by an investment manager in any one company are limited to 5% of portfolio cost. Except for U.S. treasury and U.S. agency obligations, investments in any one issuer are also limited to 5% of portfolio cost. Industry limits are 25% of portfolio cost depending on the investment type. Investments in Distressed/Mezzanine corporate debt or related mutual funds should have a minimum diversification of at least twenty different company investments. At August 31, 2007, CHE's investment in Federal National Mortgage Association bonds constituted 6% of its total investments.

*Foreign Currency Risk.* This risk relates to adverse affects on the fair value of an investment from changes in exchange rates. CHE's investment policy states investments in developed country and corporate foreign debt may not exceed 25% of total investment portfolio. CHE had no investment denominated in foreign currency at August 31, 2007.

Police & Fire Pension Trust Policy

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

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

*Custodial Credit Risk.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, Police & Fire Pension Trust will not be able to recover the value of its investment securities that are in the possession of an outside party. None of the underlying securities for Police & Fire Pension Trust's investments at August 31, 2007 are subject to custodial credit risk, as they are held in an account in the City's name, and by an agent who is not the counterparty to the investment transactions.

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*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, 2007:

	Totals			
Investments	\$	538,957,932		
Deposits and Cash on Hand		29,699,561		
	\$	568,657,493		
		Government-wide	Fiduciary Funds	
		Statement of	Statement of	
		Net Assets	Net Assets	Totals
Cash and Cash Equivalents	\$	65,786,030	14,901,908	80,687,938
Investments		134,086,181	190,099,347	324,185,528
Invested Securities Lending		4,749,143	-	4,749,143
Restricted Assets:				
Cash and Cash Equivalents		32,404,264	-	32,404,264
Investments		126,630,620	-	126,630,620
	\$	363,656,238	205,001,255	568,657,493

The City invests in various investment securities that are exposed to various risks such as interest rate, market and credit risks as disclosed above. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could affect the fair value of the security portfolio. Management does not believe the changes have had a significant impact on the financial statements.

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.

Either CHE or the borrowers can terminate all securities loans on demand. Cash collateral is invested in one of the lending agent's short-term investment pools that had an average duration of 106 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.



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(5) RECEIVABLES

Receivables at August 31, 2007, consist of the following (in thousands):

Fund	Taxes	Accounts	Loans	Contributions	Special Assessment		Accrued Interest	Gross Receivables	Allowance For Uncollectibles	Net
					Current	Deferred				
General	\$ 4,003	795	-	-	-	-	118	4,916	-	4,916
Street Construction	-	86	-	-	-	-	263	349	-	349
Federal Grants	-	56	22,809	-	-	-	6	22,871	3,666	19,205
Wastewater System	-	3,344	-	-	-	-	327	3,671	-	3,671
Water System	-	6,263	-	-	-	-	358	6,621	-	6,621
Electric System	-	20,606	-	-	-	-	519	21,125	-	21,125
Nonmajor -										
Special Revenue	1,721	362	-	-	-	-	258	2,341	-	2,341
Debt Service	943	-	-	-	520	2,109	203	3,775	197	3,578
Capital Projects	-	74	-	-	-	-	241	315	-	315
Permanent	-	-	-	-	-	-	160	160	-	160
Enterprise	-	3,171	-	-	-	-	189	3,360	1,053	2,307
Internal Service	-	466	-	-	-	-	174	640	-	640
Fiduciary	-	34	-	455	-	-	950	1,439	-	1,439
	\$ 6,667	35,257	22,809	455	520	2,109	3,766	71,583	4,916	66,667

Enterprise funds customer accounts receivable include unbilled charges for services.  
Delinquent special assessment receivables at August 31, 2007, were \$265,737.

(6) DUE FROM OTHER GOVERNMENTS

The total of Due From Other Governments of \$25,683,808 includes the following significant items:

Fund/Fund Type	Amount	Service
General/General	\$ 9,515,998	State of Nebraska, July/August Sales and Use Tax
	409,258	August Motor Vehicle Taxes Collected by Lancaster County
	16,439	Federal Government, Cost Reimbursements
	96,767	Lancaster County, Cost Reimbursements
Street Construction/Special Revenue	2,982,676	State of Nebraska, July/August Highway User Fees
	399,950	State of Nebraska, Cost Reimbursements
	7,570,394	Federal Government, Cost Reimbursements
Federal Grants/Special Revenue	2,650,280	Federal Government, Cost Reimbursements
Lincoln Area Agency on Aging/Special Revenue	30,040	Federal Government, Cost Reimbursements
Lincoln/Lancaster Co. Health/Special Revenue	442,728	Lancaster County, Cost Reimbursements
Snow Removal/Special Revenue	101,533	August Motor Vehicle Taxes Collected by Lancaster County
StarTran/Special Revenue	116,271	Federal Government, Cost Reimbursements
Antelope Valley/Tax Supported Bonds/Debt Service	166,667	State of Nebraska, July/August Development Fund Disbursements
Vehicle Tax/Capital Projects	893,885	August Motor Vehicle Taxes Collected by Lancaster County
Strom Sewer Construction/Capital Projects	103,928	Federal Government, Cost Reimbursements
Information Services/Internal Service	139,700	Lancaster County Billings
Copy Services/Internal Service	18,144	Lancaster County Billings
Subtotal	25,654,658	
All other	29,150	
Total Due From Other Governments	\$ 25,683,808	

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(7) CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2007, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental Activities:</b>				
<b>Capital Assets, not being Depreciated:</b>				
Land	\$ 57,733,188	3,477,751	82,560	61,128,379
Construction in Progress	103,953,098	24,983,750	39,293,661	89,643,187
<b>Total Capital Assets, not being Depreciated</b>	<b>161,686,286</b>	<b>28,461,501</b>	<b>39,376,221</b>	<b>150,771,566</b>
<b>Capital Assets, being Depreciated:</b>				
Buildings	73,921,877	1,087,022	10,194	74,998,705
Improvements Other Than Buildings	52,680,408	7,061,384	1,083,357	58,658,435
Machinery and Equipment	67,517,860	10,479,350	4,938,079	73,059,131
Infrastructure	391,230,456	41,498,530	2,068,759	430,660,227
<b>Total Capital Assets, being Depreciated</b>	<b>585,350,601</b>	<b>60,126,286</b>	<b>8,100,389</b>	<b>637,376,498</b>
<b>Less Accumulated Depreciation for:</b>				
Buildings	25,489,409	1,839,846	10,194	27,319,061
Improvements Other Than Buildings	20,147,078	1,696,391	216,373	21,627,096
Machinery and Equipment	35,992,979	6,406,049	4,653,477	37,745,551
Infrastructure	123,546,522	12,861,673	13,232	136,394,963
<b>Total Accumulated Depreciation</b>	<b>205,175,988</b>	<b>22,803,959</b>	<b>4,893,276</b>	<b>223,086,671</b>
<b>Total Capital Assets, being Depreciated, Net</b>	<b>380,174,613</b>	<b>37,322,327</b>	<b>3,207,113</b>	<b>414,289,827</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 541,860,899</b>	<b>65,783,828</b>	<b>42,583,334</b>	<b>565,061,393</b>
	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type Activities:</b>				
<b>Capital Assets, not being Depreciated:</b>				
Land	\$ 17,682,928	890,371	153	18,573,146
Construction in Progress	175,336,300	106,983,344	55,988,397	226,331,247
<b>Total Capital Assets, not being Depreciated</b>	<b>193,019,228</b>	<b>107,873,715</b>	<b>55,988,550</b>	<b>244,904,393</b>
<b>Capital Assets, being Depreciated:</b>				
Buildings	196,009,994	1,150,183	-	197,160,177
Improvements Other Than Buildings	438,948,427	30,730,959	194	469,679,192
Machinery and Equipment	22,805,943	2,408,584	971,307	24,243,220
Utility Plant	867,075,000	28,308,000	2,709,000	892,674,000
<b>Total Capital Assets, being Depreciated</b>	<b>1,524,839,364</b>	<b>62,597,726</b>	<b>3,680,501</b>	<b>1,583,756,589</b>
<b>Less Accumulated Depreciation for:</b>				
Buildings	57,124,202	4,438,142	-	61,562,344
Improvements Other Than Buildings	109,108,636	10,065,032	194	119,173,474
Machinery and Equipment	13,540,102	1,713,418	827,819	14,425,701
Utility Plant	311,560,000	28,665,000	2,709,000	337,516,000
<b>Total Accumulated Depreciation</b>	<b>491,332,940</b>	<b>44,881,592</b>	<b>3,537,013</b>	<b>532,677,519</b>
<b>Total Capital Assets, being Depreciated, Net</b>	<b>1,033,506,424</b>	<b>17,716,134</b>	<b>143,488</b>	<b>1,051,079,070</b>
<b>Business-type Activities Capital Assets, Net</b>	<b>\$ 1,226,525,652</b>	<b>125,589,849</b>	<b>56,132,038</b>	<b>1,295,983,463</b>

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Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General Government	\$ 1,014,223
Public Safety	1,848,391
Streets and Highways, including Infrastructure	12,322,015
Culture and Recreation	3,420,429
Economic Opportunity	64,104
Health and Welfare	248,951
Mass Transit	1,421,363
Internal Service Funds Capital Assets	
Depreciation is charged to the various functions based on usage of the assets.	<u>2,464,483</u>
<b>Total Depreciation Expense - Governmental</b>	<b>\$ <u><u>22,803,959</u></u></b>
Business-type Activities:	
Parking Lots	\$ 28,573
Golf	599,870
Parking Facilities	1,047,176
Pershing Municipal Auditorium	75,933
Solid Waste Management	1,486,664
Emergency Medical Services	161,681
Wastewater System	6,092,258
Water System	6,724,437
Lincoln Electric System	<u>28,665,000</u>
<b>Total Depreciation Expense - Business-type</b>	<b>\$ <u><u>44,881,592</u></u></b>

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Lincoln Wastewater System:</b>				
Capital Assets, not being Depreciated:				
Land	\$ 2,861,569	323,228	-	3,184,797
Construction in Progress	<u>34,995,029</u>	<u>15,949,354</u>	<u>11,839,867</u>	<u>39,104,516</u>
<b>Total Capital Assets, not being Depreciated</b>	<u><u>37,856,598</u></u>	<u><u>16,272,582</u></u>	<u><u>11,839,867</u></u>	<u><u>42,289,313</u></u>
Capital Assets, being Depreciated:				
Buildings	51,969,327	817,882	-	52,787,209
Improvements Other Than Buildings	193,165,147	13,257,242	-	206,422,389
Machinery and Equipment	<u>7,329,068</u>	<u>574,092</u>	<u>38,789</u>	<u>7,864,371</u>
<b>Total Capital Assets, being Depreciated</b>	<u><u>252,463,542</u></u>	<u><u>14,649,216</u></u>	<u><u>38,789</u></u>	<u><u>267,073,969</u></u>
Less Accumulated Depreciation for:				
Buildings	15,993,881	1,214,877	-	17,208,758
Improvements Other Than Buildings	45,137,731	4,396,800	-	49,534,531
Machinery and Equipment	<u>3,109,934</u>	<u>480,581</u>	<u>25,570</u>	<u>3,564,945</u>
<b>Total Accumulated Depreciation</b>	<u><u>64,241,546</u></u>	<u><u>6,092,258</u></u>	<u><u>25,570</u></u>	<u><u>70,308,234</u></u>
<b>Total Capital Assets, being Depreciated, Net</b>	<u><u>188,221,996</u></u>	<u><u>8,556,958</u></u>	<u><u>13,219</u></u>	<u><u>196,765,735</u></u>
<b>Wastewater System Capital Assets, Net</b>	<b>\$ <u><u>226,078,594</u></u></b>	<b><u><u>24,829,540</u></u></b>	<b><u><u>11,853,086</u></u></b>	<b><u><u>239,055,048</u></u></b>

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	Beginning Balances	Increases	Decreases	Ending Balances
<b>Lincoln Water System:</b>				
<b>Capital Assets, not being Depreciated:</b>				
Land	\$ 4,712,330	-	153	4,712,177
Construction in Progress	4,573,634	15,152,747	11,782,079	7,944,302
<b>Total Capital Assets, not being Depreciated</b>	<b>9,285,964</b>	<b>15,152,747</b>	<b>11,782,232</b>	<b>12,656,479</b>
<b>Capital Assets, being Depreciated:</b>				
Buildings	94,771,662	332,301	-	95,103,963
Improvements Other Than Buildings	219,401,356	13,389,597	194	232,790,759
Machinery and Equipment	5,521,580	388,906	265,800	5,644,686
<b>Total Capital Assets, being Depreciated</b>	<b>319,694,598</b>	<b>14,110,804</b>	<b>265,994</b>	<b>333,539,408</b>
<b>Less Accumulated Depreciation for:</b>				
Buildings	23,242,487	2,133,162	-	25,375,649
Improvements Other Than Buildings	51,961,568	4,184,275	194	56,145,649
Machinery and Equipment	3,750,739	407,000	261,440	3,896,299
<b>Total Accumulated Depreciation</b>	<b>78,954,794</b>	<b>6,724,437</b>	<b>261,634</b>	<b>85,417,597</b>
<b>Total Capital Assets, being Depreciated, Net</b>	<b>240,739,804</b>	<b>7,386,367</b>	<b>4,360</b>	<b>248,121,811</b>
<b>Water System Capital Assets, Net</b>	<b>\$ 250,025,768</b>	<b>22,539,114</b>	<b>11,786,592</b>	<b>260,778,290</b>
	Beginning Balances	Increases	Decreases	Ending Balances
<b>Lincoln Electric System:</b>				
<b>Capital Assets, not being Depreciated:</b>				
Construction in Progress	\$ 132,770,000	74,708,000	28,308,000	179,170,000
<b>Capital Assets, being Depreciated:</b>				
Utility Plant	867,075,000	28,308,000	2,709,000	892,674,000
Less Accumulated Depreciation	311,560,000	28,665,000	2,709,000	337,516,000
<b>Total Capital Assets, being Depreciated, Net</b>	<b>555,515,000</b>	<b>(357,000)</b>	<b>-</b>	<b>555,158,000</b>
<b>Electric System Capital Assets, Net</b>	<b>\$ 688,285,000</b>	<b>74,351,000</b>	<b>28,308,000</b>	<b>734,328,000</b>

During 2007, Lincoln Wastewater System incurred \$3,297,828 of interest cost, of which \$2,665,414 was capitalized into construction in progress. Lincoln Water System incurred \$3,473,462 of interest cost, of which \$1,001,995 was capitalized into construction in progress. Capitalized interest is added to the cost of the underlying assets and is amortized over the useful lives of the assets.

Lincoln Electric System utility plant includes an allowance for funds used during construction of projects costing in excess of \$2 million. The allowance for funds used during construction consists of the plant balance times the weighted-average interest rate on debt based on Federal Energy Regulatory Commission accounting method. The weighted-average rate for 2006 was 4.8%.

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(8) **INTERFUND BALANCES AND ACTIVITY**

Balances Due To/From Other Funds at August 31, 2007, consist of the following:

	General Fund	Street Construction	Federal Grants	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	Total
General Fund	\$ -	-	293,507	25,506	2,225,236	963,231	3,507,480
Street Construction	2,217,847	-	-	8,291,278	-	-	10,509,125
Nonmajor Governmental	4,493,324	-	5,331	1,491,224	-	-	5,989,879
Lincoln Wastewater System	1,418,049	-	-	687,874	-	-	2,105,923
Lincoln Water System	2,039,588	-	-	2,203,158	-	-	4,242,746
Nonmajor Enterprise	1,026,517	5,924	-	-	-	-	1,032,441
Internal Service	1,571,733	159	814,641	21,039	5,401	34,267	2,447,240
<b>Total</b>	<b>\$ 12,767,058</b>	<b>6,083</b>	<b>1,113,479</b>	<b>12,720,079</b>	<b>2,230,637</b>	<b>997,498</b>	<b>29,834,834</b>

“Due to” and “Due from” balances are recorded when funds overdraw their share of pooled cash. The total due to the General Fund includes \$1,830,739 from the Emergency Medical Services Enterprise Fund for an advance made for cash flow needs; none of this amount is expected to be repaid within one year. 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, 2007, consist of the following:

	General Fund	Street Construction	Federal Grants	Nonmajor Governmental	Lincoln Electric System	Nonmajor Enterprise	Total
General Fund	\$ -	-	-	1,080,838	1,385,000	839,500	3,305,338
Street Construction	2,587,290	-	-	8,324,323	-	-	10,911,613
Federal Grants	507,520	-	-	9,329	-	-	516,849
Nonmajor Governmental	17,647,500	4,283,994	556	5,236,167	-	770,655	27,938,872
Nonmajor Enterprise	525,000	-	-	4,049	-	-	529,049
Internal Service	70,355	366,382	-	-	-	-	436,737
<b>Total</b>	<b>\$ 21,337,665</b>	<b>4,650,376</b>	<b>556</b>	<b>14,654,706</b>	<b>1,385,000</b>	<b>1,610,155</b>	<b>43,638,458</b>

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

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(9) **LONG-TERM DEBT**

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

Net assets of \$4,766,048, \$3,883,753, and \$5,327,078, are currently available in the debt service funds to service the General Obligation Bonds, Tax Supported Bonds, and Tax Allocation Bonds, respectively. Revenue Bonds are funded partially from reserve accounts set up for debt repayment and partially from proceeds of daily operations.

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

	Governmental Activities	Business-Type Activities
Land	\$ 515,750	\$ 210,000
Buildings	11,914,750	-
Improvements	219,925	-
Infrastructure	6,972,510	-
Machinery and Equipment	1,838,042	3,113,553
Less Accumulated Depreciation, (where applicable)	(1,907,191)	(1,743,574)
<b>Total</b>	<b>\$ 19,553,786</b>	<b>\$ 1,579,979</b>

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, 2006, 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, 2006, was 3.4 percent. The annual requirement to pay interest on this outstanding debt is approximately \$3 million. The outstanding commercial paper notes are secured by a revolving credit agreement which provides for borrowings up to \$150 million. LES pays a commitment fee for the credit agreement. Under the terms of the agreement, LES can either settle or refinance the commercial paper upon maturity. LES uses these vehicles as part of their long-term financing strategy. As such, commercial paper is renewed as it matures. The average length of maturity of commercial paper for 2006 was 114 days.

	Beginning Balance	Additions	Reductions	Ending Balance
<b>Lincoln Electric System:</b>				
Commercial Paper Notes	\$ 90,000	521,850	(521,850)	90,000
	\$ 90,000	521,850	(521,850)	90,000

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

Original Amount	Issued	Issue	Interest Rate	When Due	Date Callable	Interest Date	Outstanding
<b>Governmental Activities:</b>							
<b>General Obligation Bonds:</b>							
<b>General Bonds:</b>							
14,435	03/01/99	Various Purpose Series A	3.000 - 4.600	Serial 2000 to 2014	2009	Semiannually	\$ 7,840
7,365	03/01/99	Various Purpose Series A	4.750	Term 2019	2009	"	7,365
8,220	03/01/99	Various Purpose Series B	3.000 - 4.250	Serial 1999 to 2011	2007	"	2,465
6,350	05/29/02	Storm Sewer and Drainage	3.000 - 5.000	Serial 2004 to 2020	2010	"	5,535
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	"	9,680
3,710	07/08/03	Various Purpose	4.000 / 4.125	Term 2020 & 2023	2013	"	3,710
6,555	06/01/05	Storm Sewer Refunding	2.500 - 4.375	Serial 2005 to 2017	2011	"	5,755
9,950	06/15/05	Storm Sewer Construction	3.250 - 4.250	Serial 2006 to 2025	2015	"	9,225
8,295	06/27/07	Stormwater Drainage and Flood Mgmt	4.625 - 5.000	Serial 2008 to 2027	2017	"	8,295
<b>Total General Bonds</b>							<b>\$ 61,020</b>
<b>Tax Allocation Bonds:</b>							
1,035	04/21/04	Tax Allocation Bonds	2.000 - 3.200	Serial 2004 to 2011	2008	Semiannually	670
5,500	04/21/04	Tax Allocation Bonds	3.000 - 4.800	Serial 2004 to 2015	2010	"	4,530
365	08/15/05	Tax Allocation Bonds	4.750	Serial 2006 to 2018	Anytime	"	320
245	10/01/06	Tax Allocation Bonds	5.100	Serial 2008 to 2015	Anytime	"	245
2,205	04/05/07	Tax Allocation Bonds	5.000 - 5.550	Serial 2009 to 2018	2012	"	2,205
586	06/01/07	Tax Allocation Bonds	5.240	Serial 2008 to 2018	Anytime	"	586
388	06/01/07	Tax Allocation Bonds	5.240	Serial 2007 to 2020	Anytime	"	388
369	06/15/07	Tax Allocation Bonds	5.400	Serial 2007 to 2014	Anytime	"	369
<b>Total Tax Allocation Bonds</b>							<b>\$ 9,313</b>
<b>Tax Supported Bonds:</b>							
3,200	06/13/00	Municipal Infrastructure Redevelopment	4.750 - 5.100	Serial 2001 to 2009	2005	Semiannually	\$ 1,080
15,000	03/17/04	Highway Allocation Fund	2.000 - 5.000	Serial 2007 to 2023	2014	"	15,000
27,000	12/05/06	Highway Allocation Fund	4.000 - 5.000	Serial 2008 to 2027	2016	"	27,000
<b>Total Tax-Supported Bonds</b>							<b>\$ 63,080</b>
<b>TOTAL GENERAL OBLIGATION BONDS</b>							<b>\$ 133,413</b>
<b>Tax Supported Bonds:</b>							
11,080	3/13/02	Antelope Valley Project	1.500 - 5.000	Serial 2002 to 2016	2012	Semiannually	\$ 8,515
<b>Business-Type Activities:</b>							
<b>Revenue Bonds:</b>							
39,235	07/31/03	Wastewater Revenue	2.000 - 5.000	Serial 2004 to 2023	2013	Semiannually	\$ 32,920
15,765	07/31/03	Wastewater Revenue	4.625 / 5.000	Term 2025 & 2028	2013	"	15,765
18,000	08/03/05	Wastewater Revenue	4.000 - 5.000	Serial 2006 to 2030	2015	"	16,995
16,710	04/18/07	Wastewater Revenue	4.000 - 4.500	Serial 2008 to 2029	2017	"	16,710
3,750	04/18/07	Wastewater Revenue	4.375	Term 2032	2017	"	3,750
<b>Total Wastewater Bonds</b>							<b>\$ 86,140</b>
11,850	11/22/02	Water Revenue	2.750 - 5.000	Serial 2005 to 2017	2012	Semiannually	\$ 9,580
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	-	"	18,795
40,000	11/16/04	Water Revenue	3.000 - 5.000	Serial 2005 to 2025	2014	"	37,175
<b>Total Water Bonds</b>							<b>\$ 72,210</b>
6,815	09/08/99	Parking Revenue Series A	4.000 - 5.000	Serial 2000 to 2009	2009	Semiannually	\$ 2,170
6,695	09/08/99	Parking Revenue Series A	5.375	Term 2014	2009	"	6,695
4,360	12/18/01	Parking Revenue	3.750 - 5.000	Serial 2002 to 2017	2011	"	2,970
1,640	12/18/01	Parking Revenue	5.125	Term 2021	2011	"	1,640
<b>Total Parking Bonds</b>							<b>\$ 13,475</b>
3,165	11/27/01	Golf Course Revenue Refunding	2.300 - 4.050	Serial 2002 to 2011	2008	Semiannually	\$ 1,375
4,000	08/17/06	Solid Waste Management Revenue	4.000 - 4.250	Serial 2007 to 2021	2013	Semiannually	\$ 3,815
45,560	02/15/98	Electric Revenue Bonds Series A	4.500 - 5.000	Serial 2008 to 2018	2008	Semiannually	\$ 31,075
141,150	08/15/01	Electric Revenue Bonds	4.000 - 5.250	Serial 2006 to 2020	2011	"	140,150
148,150	10/01/02	Electric Revenue Bonds	4.000 - 5.000	Serial 2004 to 2025	2012	"	122,945
93,045	10/01/03	Electric Revenue Bonds	3.000 - 5.000	Serial 2004 to 2026	2014	"	90,195
33,265	10/01/03	Electric Revenue 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
<b>Total Electric Bonds</b>							<b>\$ 532,630</b>
<b>TOTAL REVENUE BONDS</b>							<b>\$ 709,645</b>

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

Fiscal Year Ended August 31	Governmental Activities					
	General Obligation Bonds		Tax-Supported Bonds		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 6,210	5,611	615	372	1,718	883
2009	7,376	5,401	635	350	1,749	842
2010	6,740	5,120	660	326	1,723	784
2011	7,223	4,851	685	299	1,727	725
2012	7,883	4,543	710	271	1,797	663
2013 - 2017	40,918	17,476	5,210	773	8,357	2,276
2018 - 2022	36,018	8,743	-	-	3,206	1,043
2023 - 2027	21,045	2,008	-	-	2,515	368
	<u>\$ 133,413</u>	<u>53,753</u>	<u>8,515</u>	<u>2,391</u>	<u>22,792</u>	<u>7,584</u>

Fiscal Year Ended August 31	Business-Type Activities			
	Revenue Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2008	\$ 24,220	34,490	444	33
2009	25,390	33,294	140	20
2010	26,510	32,150	146	13
2011	29,275	30,910	127	7
2012	27,365	29,572	65	1
2013 - 2017	148,385	127,774	-	-
2018 - 2022	163,860	87,112	-	-
2023 - 2027	103,690	54,016	-	-
2028 - 2032	90,880	29,569	-	-
2033 - 2037	70,070	8,548	-	-
	<u>\$ 709,645</u>	<u>467,435</u>	<u>922</u>	<u>74</u>

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

Fiscal Year Ended August 31	Major Enterprise Funds					
	Wastewater System		Water System		Electric System	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 2,415	4,031	5,555	3,376	14,430	26,186
2009	2,620	3,820	5,795	3,128	15,085	25,531
2010	2,695	3,731	6,050	2,874	15,780	24,817
2011	2,785	3,607	6,310	2,603	18,095	24,069
2012	2,880	3,504	5,380	2,315	17,295	23,223
2013 - 2017	16,055	15,536	15,375	8,875	111,090	101,968
2018 - 2022	19,585	11,492	18,950	4,746	122,115	70,465
2023 - 2027	24,420	6,470	8,795	803	70,475	46,742
2028 - 2032	12,685	1,282	-	-	78,195	28,287
2033 - 2037	-	-	-	-	70,070	8,548
	<u>\$ 86,140</u>	<u>53,473</u>	<u>72,210</u>	<u>28,720</u>	<u>532,630</u>	<u>379,836</u>



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Long-term liability activity for the year ended August 31, 2007, was as follows (in thousands of dollars):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
<b>Bonds and Leases Payable:</b>					
General Bonds	\$ 56,665	8,295	(3,940)	61,020	4,260
Tax Allocation Bonds	6,247	3,793	(727)	9,313	620
Tax Supported Bonds	36,435	27,000	(355)	63,080	1,330
Tax Supported Antelope Valley					
Project Bonds	9,110	-	(595)	8,515	615
Capital Leases	18,321	5,500	(1,029)	22,792	1,718
Gross Bonds and Leases Payable	126,778	44,588	(6,646)	164,720	8,543
Deferred Amounts:					
For Issuance Premiums	2,271	485	(28)	2,728	-
For Issuance Discounts	(23)	(5)	2	(26)	-
Net Bonds and Leases Payable	129,026	45,068	(6,672)	167,422	8,543
<b>Other Liabilities:</b>					
Compensated Absences	9,353	8,185	(5,907)	11,631	6,374
Claims and Judgements	5,911	16,206	(15,762)	6,355	4,052
Net Pension Obligation	3,570	411	-	3,981	-
<b>Governmental Activity Long-Term Liabilities</b>	<b>\$ 147,860</b>	<b>69,870</b>	<b>(28,341)</b>	<b>189,389</b>	<b>18,969</b>
<b>Business-Type Activities:</b>					
<b>Bonds, Notes and Leases Payable:</b>					
Wastewater Revenue Bonds	\$ 67,685	20,460	(2,005)	86,140	2,415
Water Revenue Bonds	77,550	-	(5,340)	72,210	5,555
Parking Revenue Bonds	14,715	-	(1,240)	13,475	1,305
Golf Course Revenue Bonds	1,690	-	(315)	1,375	325
Solid Waste Management Revenue Bonds	4,000	-	(185)	3,815	190
Electric System Revenue Bonds	543,680	-	(11,050)	532,630	14,430
Capital Leases	704	595	(377)	922	444
Gross Bonds, Notes and Leases Payable	710,024	21,055	(20,512)	710,567	24,664
Deferred Amounts:					
For Issuance Premiums	20,743	-	(2,441)	18,302	-
For Issuance Discounts	(17,628)	(12)	1,775	(15,865)	-
For Refunding	(3,292)	-	386	(2,906)	-
Net Bonds, Notes and Leases Payable	709,847	21,043	(20,792)	710,098	24,664
<b>Other Liabilities:</b>					
Compensated Absences	1,272	1,021	(819)	1,474	892
Accrued Landfill Closure/Postclosure Care Costs	8,391	737	(178)	8,950	-
<b>Business-Type Activity Long-Term Liabilities</b>	<b>\$ 719,510</b>	<b>22,801</b>	<b>(21,789)</b>	<b>720,522</b>	<b>25,556</b>

Internal Service funds predominantly serve the governmental funds. Therefore, their long-term liabilities are included with the governmental activities above. Compensated absences for governmental activities are generally liquidated in the General Fund as well as various other Special Revenue and Internal Service funds where personal costs are incurred. The claims and judgements liability will generally be liquidated through the City's Insurance Revolving Internal Service Fund, which will finance the payment of those claims by charging other funds based on management's assessment of the relative insurance risk that should be assumed by individual funds. 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.

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Long-term liability activity for the major enterprise funds for the year ended August 31, 2007, was as follows (in thousands of dollars):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Lincoln Wastewater System:</b>					
<b>Bonds Payable:</b>					
Wastewater Revenue Bonds	67,685	20,460	(2,005)	86,140	2,415
Deferred For Issuance Premiums	2,075	-	(93)	1,982	-
Deferred For Issuance Discounts	-	(12)	-	(12)	-
Net Bonds Payable	<u>69,760</u>	<u>20,448</u>	<u>(2,098)</u>	<u>88,110</u>	<u>2,415</u>
<b>Other Liabilities:</b>					
Compensated Absences	433	331	(278)	486	299
Total Long-Term Liabilities	<u>\$ 70,193</u>	<u>20,779</u>	<u>(2,376)</u>	<u>88,596</u>	<u>2,714</u>
<b>Lincoln Water System:</b>					
<b>Bonds Payable:</b>					
Water Revenue Bonds	\$ 77,550	-	(5,340)	72,210	5,555
Deferred for Issuance Premiums	3,189	-	(336)	2,853	-
Deferred for Refunding	(809)	-	136	(673)	-
Net Bonds Payable	<u>79,930</u>	<u>-</u>	<u>(5,540)</u>	<u>74,390</u>	<u>5,555</u>
<b>Other Liabilities:</b>					
Compensated Absences	550	446	(306)	690	350
Total Long-Term Liabilities	<u>\$ 80,480</u>	<u>446</u>	<u>(5,846)</u>	<u>75,080</u>	<u>5,905</u>
<b>Lincoln Electric System:</b>					
<b>Bonds and Notes Payable:</b>					
Electric System Revenue Bonds	\$ 543,680	-	(11,050)	532,630	14,430
Deferred for Issuance Premiums	15,466	-	(2,011)	13,455	-
Deferred for Issuance Discounts	(17,628)	-	1,775	(15,853)	-
Deferred for Refunding	(2,457)	-	245	(2,212)	-
Total Long-Term Liabilities	<u>\$ 539,061</u>	<u>-</u>	<u>(11,041)</u>	<u>528,020</u>	<u>14,430</u>

**(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, 2007, which discloses the nature and amount of the adjustments necessary to convert the actual GAAP data to the budgetary basis, is presented below:

	General Fund	Street Construction Fund	Federal Grants Fund
<b>Net Change in Fund Balances:</b>			
Balance on a GAAP basis	\$ 1,120,666	28,853,406	982,715
Basis differences (accruals) occur because the cash basis of accounting used for budgeting differs from the modified accrual basis of accounting prescribed for governmental funds.	1,739,128	1,635,684	(689,778)
Entity differences occur when the budget excludes programs or entities that fall within the financial reporting entity as defined by GAAP.	-	<u>15,313,743</u>	-
Balance on a budget basis	<u>\$ 2,859,794</u>	<u>45,802,833</u>	<u>292,937</u>

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(11) **DEFICIT NET ASSETS**

The following funds had a net asset or fund balance deficit as of August 31, 2007:

Special Revenue - Impact Fees Fund	\$ (7,080)
Enterprise - Emergency Medical Services Fund	(1,060,448)
Internal Service - Engineering Revolving Fund	(815,701)

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

The Emergency Medical Services Fund has reversed the operating losses that had occurred in the three prior fiscal years. This was accomplished by increasing revenues with new rate schedules and decreasing operating expenses.

The Engineering Revolving Fund has incurred losses during the past four years. The City will be evaluating various means to reducing expenses and improving revenue collections affected by staffing levels, overhead costs, and billing practices.

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

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

General Fund	
Urban Development	\$ 6,789
Street Maintenance	107,554
Street Lighting	2,390,947

(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

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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, 2007, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	370
Terminated plan members entitled to but not yet receiving benefits	28
Active plan members (non-DROP)	531
DROP members	<u>47</u>
Total	<u><u>976</u></u>
Number of participating employers	<u><u>1</u></u>

**Funding Policy** - The contribution requirements of plan members and the City are established by City Ordinance #15728 dated September 24, 1990, and may be amended by the City Council. Plan members are required to contribute between 7% and 8% of their annual covered salary based on an election made by the employee. The City is required to contribute at an actuarially determined rate; the rate for fiscal year 2007 was 13.08% of annual covered payroll. Actual contributions by the City were 11.4% of annual covered payroll. Administrative costs of PFDP are financed through investment earnings.

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

(Dollar amounts in thousands)

Annual required contribution	\$ 4,056
Interest on net pension obligation	268
Adjustment to annual required contribution	<u>(419)</u>
Annual pension cost	3,905
Contributions made	<u>3,494</u>
Increase in net pension obligation	411
Net pension obligation beginning	<u>3,570</u>
Net pension obligation ending	<u><u>\$ 3,981</u></u>

The annual required contribution for the current year was determined as part of the August 31, 2005, 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 4.5 to 8.5% per year, including wage inflation at 4.5%, and (c) the assumption that benefits will not increase after retirement. The actuarial value of assets was determined using a four year smoothed market method. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis over a period of ten years.

**Three-Year Trend Information**  
(Dollar Amounts in Thousands)

Year Ended <u>August 31</u>	Annual Pension Cost (APC)	Annual Pension Contribution	Percentage of APC Contributed	Net Pension Obligation
2007	\$ 3,905	\$ 3,494	89 %	\$ 3,981
2006	3,972	2,893	73	3,570
2005	3,623	2,562	71	2,491

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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. This plan and related contribution requirements were authorized by the administrative board of directors. Vesting of LES contributions occurs over a five-year period. Employee forfeitures are used to reduce employer contributions. Vested benefits are fully funded. LES incurred contribution expense of approximately \$2,952,000 (9.59% of covered payroll) and its employees contributed approximately \$1,891,000 (6.14% 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, 2006, was \$1,505,823. City contributions totaled \$176,047 or 11.7% of covered payroll.

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, 2006, total payroll was approximately \$70,844,000 and covered payroll was approximately \$60,517,000. City contributions totaled \$6,714,670 or 11.1% of covered payroll and employee contributions totaled \$3,537,784 or 5.8% of covered payroll. Employees made \$97,625 in voluntary contributions for the year ended December 31, 2006.

(14) 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 2006 tax levy, for the 2006-2007 fiscal year, was \$64,793,826 below the legal limit, with a tax rate per \$100 valuation of \$0.28337. The assessed value upon which the 2006 levy was based was \$15,342,163,788.

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

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property on January 1st following the levy date and become delinquent in two equal installments on April 1st and August 1st. Personal property taxes are due December 31st and become delinquent on April 1st and August 1st following the levy date. Delinquent taxes bear 14% interest.

Property taxes levied for 2006-2007 are recorded as revenue in the Fund Financial Statements when expected to be collected within 60 days after August 31, 2007. 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.

(15) **RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees and the public; or acts of God. For the year ended August 31, 2007, the City had a self-insured retention for workers' compensation exposures up to \$500,000 per individual; building and contents property exposures up to \$50,000 per occurrence; law enforcement liability exposures up to \$350,000 per occurrence; general liability exposures up to \$250,000 per occurrence; public officials exposures up to \$250,000 per occurrence; public transportation liability exposures up to \$250,000 per occurrence; auto liability exposures up to \$250,000, health benefits (beginning November, 2006), and employee long-term disability benefits, all of which are covered under the Insurance Revolving Fund which is included in the internal service funds. The self-insurance programs are administered through the Risk Management Division.

Workers' compensation was covered by a policy that provided statutory limits above the City's retention of \$500,000 per individual. Law enforcement liability was covered by a policy that provided limits of \$5 million per occurrence and \$6 million in annual aggregate. General liability was covered by a policy that provided limits of \$5 million per occurrence and \$6 million in annual aggregate. Public officials liability was covered by a policy that provided limits of \$5 million per occurrence and \$5 million in annual aggregate. Public transportation liability was covered by a policy that provided a limit of \$5 million. Auto liability was covered by a policy which provided a limit of \$5 million. Health had excess loss indemnity coverage above \$150,000 per claim and above 100% of the plan aggregate. The Nebraska Political Tort Claims Act limits the City's liability for tort claims to \$1 million per individual and \$5 million per occurrence. Settled claims have not exceeded coverage in any of the past three fiscal years.

The City had no significant insurance recoveries in the current year.

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 \$6,355,506 were recorded at August 31, 2007. Excluding health care claims approximating \$1,391,000, 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

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expenses regardless of their allocation to specific claims. These liabilities have been discounted using a 4.37% discount rate and a claim payment pattern based on the historical data of the City. The City has purchased no annuity contracts in the current fiscal year to resolve City of Lincoln claims.

The following is a summary of the changes in the estimated claims liability for the years ended August 31, 2007 and 2006:

<u>2007</u>	Worker's Compensation and Others	Long-Term Disability	Health	Total
Balance at September 1	\$ 5,130,000	781,384	-	5,911,384
Current year claims and changes in estimates	3,002,000	(90,437)	13,294,165	16,205,728
Claims payments	(3,773,000)	(85,438)	(11,903,168)	(15,761,606)
Balance at August 31	\$ <u>4,359,000</u>	<u>605,509</u>	<u>1,390,997</u>	<u>6,355,506</u>

<u>2006</u>	Worker's Compensation and Others	Long-Term Disability	Health	Total
Balance at September 1	\$ 4,407,000	719,431	-	5,126,431
Current year claims and changes in estimates	3,544,000	147,887	-	3,691,887
Claims payments	(2,821,000)	(85,934)	-	(2,906,934)
Balance at August 31	\$ <u>5,130,000</u>	<u>781,384</u>	<u>-</u>	<u>5,911,384</u>

**(16) 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, 2007, approximately 98% of the full-time, regular City's employees are represented by a Union. The existing union contracts will expire either in August 2008 or August 2009.

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

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

The City of Lincoln owns a solid waste disposal area which discontinued operations in 1990, but still requires certain closure and postclosure care, including the construction of final cover, 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 on a quarterly basis from impact fee collections within the development area. These agreements estimate construction costs and impact fee revenue based on the final plat at the time of acceptance of the agreement. As of August 31, 2007, the City's commitment to developers is estimated to be \$26,300,000.

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STREET CONSTRUCTION PROJECTS

The City's Street Construction Capital Projects Fund has commitments under major construction contracts in progress of approximately \$23,000,000 as of August 31, 2007, 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 \$10,500,000 at August 31, 2007.

LINCOLN WATER SYSTEM

The Lincoln Water System has commitments under major construction contracts in progress of approximately \$9,166,000 as of August 31, 2007.

LINCOLN ELECTRIC SYSTEM (LES)

An agreement signed in May 2002 provides for LES joint ownership in the Council Bluffs No. 4 coal-fired unit located south of Council Bluffs, Iowa, for 100 megawatts of generating capacity. The plant is scheduled for commercial operation in June 2007 with MidAmerican Energy Company (MEC) acting as operating agent. In addition to joint ownership, LES executed a Power Purchase Agreement with MEC that resells 50 megawatts of the 100 megawatt capacity back to MEC for the first 19 months of operations to optimize the economics of LES's participation and better fit LES's anticipated load growth. LES's share of the total estimated cost of construction is approximately \$164.3 million dollars. As of December 31, 2006 approximately \$47 million of construction costs remain. Funding for this construction includes earnings, available funds, and short-and long-term financing.

Participation Contracts with NPPD

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

LES is responsible for its respective participating interests in the two facilities' capital additions and improvements. LES'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 \$7,200,000 in 2006. LES recognizes its share of capital acquisition costs and debt service payments as power costs in the period the costs are billed. Fixed cost payments under the agreements are on a participation basis whether or not such plants are operating or operable. LES recognized expense for its share of the total fixed costs of approximately \$17,100,000 in 2006.

The participation contracts continue until the facilities are removed from commercial operation or the final maturity occurs on the related debt incurred by NPPD to finance the facilities, whichever occurs last. The estimated fixed cost payments to NPPD under these contracts, including capital additions and improvements, debt service payments and fixed costs, and credits aggregate approximately \$19,000,000, \$21,600,000, \$20,900,000, \$17,600,000, and \$17,400,000, respectively, in each of the five years subsequent to December 31, 2006.

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 \$38,000,000 are reflected in utility plant at December 31, 2006.



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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 notice to terminate the agreement. During 2006, LES billed the County approximately \$2,900,000 for demand and energy charges.

**(17) 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 balance sheet date.

At August 31, 2007, the City had incurred a liability of approximately \$6,079,000 for the municipal solid waste landfill which represents the amount of costs reported to date based on the approximately 41 percent of landfill capacity used to date. The remaining estimated liability for these costs is approximately \$9 million, which will be recognized as the remaining capacity is used (estimated to be approximately 22 years).

As of August 31, 2007, the City had incurred a liability of approximately \$517,000 for the construction and demolition debris landfill which represents the amount of costs reported to date based on the approximately 45 percent of landfill capacity used to date. The remaining estimated liability for these costs is approximately \$622,000, 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, 2007, a liability for closure and postclosure care costs is recorded in the amount of approximately \$2,354,000, 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, 2007.

**(18) SEGMENT INFORMATION**

The City has issued revenue bonds and other debt instruments to finance capital construction and acquisitions for both the Parks and Recreation and Public Works/Utilities Departments. The Golf Division of the Parks and Recreation Department operates the City's golf courses and is accounted for in the Golf Fund. The Parking Facilities Division of the Public Works/Utilities Department operates the

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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, 2007, is presented as follows:

	Golf	Parking Facilities	Solid Waste Management
<b>CONDENSED STATEMENT OF NET ASSETS</b>			
<b>Assets:</b>			
Current Assets	\$ 44,869	4,703,977	9,271,772
Due from Other Funds	24,320	325,493	606,381
Restricted Assets	442,849	2,669,529	1,552,771
Deferred Charges	33,408	385,756	72,012
Capital Assets	<u>6,793,756</u>	<u>36,441,813</u>	<u>17,566,507</u>
Total Assets	<u>7,339,202</u>	<u>44,526,568</u>	<u>29,069,443</u>
<b>Liabilities:</b>			
Current Liabilities	881,382	2,095,045	484,626
Due to Other Funds	346,083	-	1,103
Noncurrent Liabilities	<u>1,486,201</u>	<u>12,170,000</u>	<u>12,612,594</u>
Total Liabilities	<u>2,713,666</u>	<u>14,265,045</u>	<u>13,098,323</u>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	5,150,081	25,173,962	15,285,119
Restricted	151,565	859,725	174,748
Unrestricted	<u>(676,110)</u>	<u>4,227,836</u>	<u>511,253</u>
Total Net Assets	<u>\$ 4,625,536</u>	<u>30,261,523</u>	<u>15,971,120</u>
<b>CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS</b>			
Operating Revenues	\$ 2,919,968	6,264,527	5,259,855
Depreciation Expense	(599,870)	(1,047,176)	(1,486,664)
Other Operating Expenses	<u>(2,463,827)</u>	<u>(2,781,952)</u>	<u>(5,079,147)</u>
Operating Income (Loss)	(143,729)	2,435,399	(1,305,956)
<b>Nonoperating Revenues (Expenses):</b>			
Investment Earnings	7,017	380,486	565,403
Loss on Disposal of Capital Assets	(6,999)	-	(10,105)
Occupation Tax	-	-	2,195,132
Interest Expense and Fiscal Charges	<u>(95,381)</u>	<u>(786,918)</u>	<u>(165,832)</u>
Capital Contributions	17,927	567,143	127,351
Transfers	<u>(4,500)</u>	<u>(835,000)</u>	<u>(770,655)</u>
Change in Net Assets	(225,665)	1,761,110	635,338
Beginning Net Assets	4,851,201	28,500,413	15,335,782
Ending Net Assets	<u>\$ 4,625,536</u>	<u>30,261,523</u>	<u>15,971,120</u>
<b>CONDENSED STATEMENT OF CASH FLOWS</b>			
<b>Net Cash Provided (Used) by:</b>			
Operating Activities	\$ 515,996	3,910,865	435,635
Noncapital Financing Activities	85,549	(816,605)	1,736,775
Capital and Related Financing Activities	(551,994)	(2,047,247)	(3,991,431)
Investing Activities	<u>11,616</u>	<u>(611,105)</u>	<u>2,009,344</u>
Net Increase in Cash	61,167	435,908	190,323
Beginning Balance	<u>72,344</u>	<u>913,540</u>	<u>1,870,069</u>
Ending Balance	<u>\$ 133,511</u>	<u>1,349,448</u>	<u>2,060,392</u>

**(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:

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*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 as of August 31, 2007 is approximately \$73,866,000 for the Water System and \$89,116,000 for the Wastewater System.

*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) 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, 2007, the City made rental payments of approximately \$2.4 million to the Commission.

As of August 31, 2007, the Commission has bonds outstanding of \$48,250,000 attributable to several bond issues. Certain proceeds from the bonds totaling \$26,725,000 have been utilized by the Commission to acquire, construct, and/or renovate certain buildings occupied by the City and County. The City's proportionate share of such buildings are recorded as capital assets and the corresponding debt are reflected as capital leases in the City's financial statements. Lease payments are not recorded as capital lease payments in the Debt Service funds but rather are recorded as current expenditures in the various individual funds.

Additional bond proceeds, totaling \$29,000,000, have been utilized by the Commission to construct a new County-City building and to renovate the prior County-City building to be used as a Hall of Justice. It is estimated that the City occupies approximately 65% of the new building and 38% of the renovated building (Hall of Justice). It is anticipated that property tax levies by the Commission will be sufficient to meet bond principal and interest payments. Should revenues from such property tax levies not be sufficient to meet debt service requirements in any given year, the City and County would contribute the necessary payments based on their proportionate occupancy in such buildings. Such contributions are expected to be minimal and will be expensed in the appropriate funds when incurred. The City's proportionate share of the buildings has been recorded in capital assets in accordance with the terms of the joint venture agreement regarding the ultimate transfer of assets to the City and County.

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.

(21) 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

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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.

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

**(22) 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 \$198,000 in 2006. The total amount of payments to LES for energy was approximately \$73,000 in 2006.

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 \$94,000 in 2006. The total amount of payments to LES for energy was approximately \$8.1 million in 2006.

**Required Supplementary Information**

**Schedule of Funding Progress**  
(dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll * (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
August 31, 2007	\$ 171,264	\$ 169,587	\$ (1,677)	101.0 %	\$ 30,546	(5.5) %
August 31, 2006	157,527	161,583	4,056	97.5	30,724	13.2
August 31, 2005	145,730	151,978	6,248	95.9	29,029	21.5
August 31, 2004	136,974	144,179	7,205	95.0	28,125	25.6
August 31, 2003	132,578	137,508	4,930	96.4	27,415	18.0
August 31, 2002	128,319	130,875	2,556	98.0	26,607	9.6

• Non-DROP payroll in 2002 and later

**Schedule of Employer Contributions**  
(dollar amounts in thousands)

Year Ended August 31	Annual Required Contribution	Annual Pension Contribution	Percentage Contributed
2007	\$ 4,056	\$ 3,494	86 %
2006	4,077	2,893	71
2005	3,684	2,562	70
2004	3,297	1,992	60
2003	2,234	1,781	80
2002	1,878	1,542	82

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**APPENDIX E**

**SUMMARY OF PRINCIPAL DOCUMENTS**

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## SUMMARY OF PRINCIPAL DOCUMENTS

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

### JPA AGREEMENT

#### **Creation**

Pursuant to the Joint Public Agency Act, Chapter 13, Article 25, Reissue Revised Statutes of Nebraska, as amended (the “Act”), and the JPA Agreement, the County and the City (collectively, the “Participants”) created a joint public agency named the Lancaster County Correctional Facility Joint Public Agency (the “Agency”) and 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: (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 for the construction, equipping, furnishing and financing of the Project and any other capital improvements or other projects pertaining to the Correctional Facilities 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; and (c) to enter into a site lease with the County to provide a site for the Project, construct, equip and furnish the Project, to issue bonds to finance the same, and to levy a tax as provided by the Act and this 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 Project for so long as any Agency Bonds are outstanding, and to convey the Project to the County at such time as no Agency Bonds are outstanding.

#### **Organization**

Governing Body. The Board of the Agency consists of the following representatives: (a) Mayor of the City, (b) Chair of the Board of Commissioners of the County, (c) Chair of the Council of the City and (d) Vice Chair of the County.

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.

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.

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 13-25 16 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 Lancaster County 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. Such levy authority may be exercised by the Agency only to the extent the assigning Participant restricts the exercise of its own levy authority to the same degree and the levy authority allocated to the Agency is reported to the Property Tax Administrator;

(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 payable exclusively from all or a portion of the revenue from one or more projects, from one or more revenue-producing contracts, including securities acquired from any person, or leases made by the Agency with any person, including any Participant, or from its revenue generally which may be additionally secured by a pledge of any grant, subsidy, or contribution from any person or a pledge of any income or revenue, funds, or money of the Agency from any source whatsoever or a mortgage or security interest in any real or personal property, commodity, product, or service or interest therein.

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

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

## **Levy Authority**

Pursuant to the provisions of Section 13-2507, pursuant to the JPA Agreement:

(a) the County irrevocably allocates and assigns to the Agency, for the period beginning September 15, 2008 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 County, beginning in the year 2008 for collection in 2009, for the purpose of paying the costs of constructing, equipping and furnishing the Correctional Facilities pursuant to Section 23-120(2), Reissue Revised Statutes of Nebraska, as amended, an amount equal to \$2,000,000 (the "County Levy") to be levied solely for the purpose of paying the principal or redemption price of and interest on such bonds of the Agency as may be issued for the purpose of acquiring land for, and constructing, equipping and furnishing Correctional Facilities (the "Agency Bonds").

(b) the City irrevocably allocates and assigns to the Agency, for the period beginning September 15, 2008 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, not to exceed \$3,500,000 annually, beginning in the year 2008 for collection in 2009, for the purpose of paying the costs of Correctional Facilities pursuant to Section 15-202, Reissue Revised Statutes of Nebraska, as amended, in an amount which, when added to the County Levy, 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 "City Levy"), solely for the purpose of paying the principal or redemption price of and interest on the Agency Bonds.

The County covenants and agrees that it shall not, for any year so long as the Agency Bonds remain outstanding, cause a tax to be levied pursuant to Section 23-120 unless and until (a) the County Levy is sufficient to generate tax revenues sufficient to pay the principal or redemption price of and interest on the Agency Bonds as the same become due the following year based upon the then-current and

applicable certified valuation of property to be taxed; (b) the Agency has certified the County Levy to the County Board; (c) there remains unused for that tax year a portion of the County Levy authority under Section 23-120, Reissue Revised Statutes of Nebraska, as amended.

The County shall implement the Agency Bond Levy as requested by the Agency as may be required to pay the principal or redemption price of and interest on the Agency Bonds as the same become due, and shall not levy less than the Agency's lawful requested or certified levy, as long as any Agency Bonds remain outstanding.

The County shall collect and disburse to the trustee named by the Agency, all taxes collected under the Agency Bond Levy.

### **Acquiring and Holding Property**

The Board may lease, purchase or acquire by any means, from a Participant or from any other source, such real and personal property as is required for the operation of the Agency and for carrying out the purposes hereof. The title to all such property, personal or real, 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 Project to the County at such time as no Agency Bonds remain outstanding. The Agency shall comply with the applicable bidding procedures of the County Purchasing Act (Chapter 23, Article 31, Reissue Revised Statutes of Nebraska, as amended). The County 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 County Board 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 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 the agency has bonds outstanding unless provision for full payment of the bonds and interest thereon, by escrow or otherwise, has been made pursuant to the terms of the bonds or the resolution, indenture, or security instrument securing the bonds. Upon dissolution of the Agency, provided the City remains an active entity providing county fairs on the Fairgrounds, all interest, if any, in the land, capital improvements, and personal property used in the

operation of the Fairgrounds financed by the City Bonds remaining in the Agency shall be transferred to the City, all other assets of the Agency shall be transferred to the County. In the event that the City is no longer active at the time of dissolution, all assets held by the Agency shall be transferred to the County. The City shall conduct a county fair on the Fairgrounds each year any City Bonds remain outstanding. The City further covenants that as long as any City Bonds remain outstanding, it shall not request that the County Board place the question of reformation of the City before the registered voters of the County.

### **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 bonds issued by the Agency. 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**

### **Definitions**

The following words and phrases used in the Facilities Agreement shall have the following meanings, unless the context or use indicates another or different meaning or intent.

**“Bonds”** means the \$[Principal Amount] principal amount of the “Lancaster County Correctional Facilities Joint Public Agency Building Bonds, Series 2008” authorized to be issued pursuant to the Resolution and any bonds of the Agency issued to refund, directly or indirectly, the Bonds.

**“Construction Fund”** means any fund created by a Resolution into which the net proceeds from the sale of Bonds is deposited and disbursed as provided in such Resolution.

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

- (a) Obligations incurred for labor and material and to contractors, builders and materialmen in connection with the 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 the Project;
- (c) Taxes or other municipal or governmental charges lawfully levied or assessed against the 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;
- (j) Any other costs directly incurred in the acquisition, purchase, construction, equipping, furnishing and completion of the Facilities.

**“Debt Service Fund”** means the fund created by a Resolution into which the Tax Receipts shall be deposited as provided by the Facilities Agreement.

**“Facilities Agreement”** means Facilities Agreement and all amendments and supplements thereto.

**“Project”** shall mean the real property and the capital improvements specified and identified in the Facilities Agreement.

**“Resolution”** shall mean a resolution passed by the Agency, authorizing the issuance of Bonds.

**“Site”** means the real estate described on **Exhibit A** attached to the Facilities Agreement.

**“Site Lease”** means the Site Lease dated February 5, 2009 between the County, as lessor, and the Agency, as lessee, with respect to the Site.

#### **Provision of Facilities**

The Agency agrees that it will enter into the Site Lease and acquire, construct, equip and furnish the Project for the County on the Site and in accordance with final plans and specifications to be approved by the County.

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

The County acknowledges that the costs of constructing, equipping and furnishing the Project may exceed the amount of money to be deposited in the Construction Fund held, which fund contains and will contain money only from the proceeds of sale of the Bonds issued by the Agency. The County 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 Project and the money in the Construction Fund. The County 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 County agrees that any contractor which provides work on the Project shall provide performance and payment bonds and builders’ risk insurance, all as specified in the Facilities Agreement.

The County, 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 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 Project or any portion thereof without the approval of the County. At such time as no Bonds remain outstanding, the Agency shall convey the Project to the County for the sum of \$1.00 and other good and valuable consideration.

Upon completion of the acquisition, construction, equipping and furnishing of the Project, the County 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 County and the Agency agree that all Costs of Construction shall be paid out of the Construction Fund or other available funds of the County. Disbursement requisitions to any contractor or vendor to be paid from the Construction Fund for Costs of Construction of the Project or to any provider of equipment and furnishings, including the final requisition, shall be approved by the County and the Agency. Requisition approvals by the Agency shall be evidenced by the Chair of the Agency and the Treasurer of the Agency pursuant to Section 13-2527(1) Reissue Revised Statutes of Nebraska, as amended.

#### **Certificate of Acceptance**

Upon completion of the Project and acceptance thereof by the County, the fact of such completion and acceptance shall be evidenced by a Certificate of Completion signed by the Chair of the County Board of Commissioners. Upon such completion and acceptance, any amount remaining in the Construction Fund from the Bond issued to finance the Project, after payment of all costs of completion of the Project, shall be transferred to the Debt Service Fund and applied as provided in the Resolution.

#### **Dispute Resolution**

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

#### **Issuance of Bonds; Debt Service**

To pay the Costs of Construction of the Project and the costs of issuance thereof, the Agency, with the consent of the City and the County, may issue Bonds pursuant to a Resolution and to deposit the proceeds thereof as provided in such Resolution.

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

#### **County to Operate and Manage the Facilities**

The County undertakes to maintain, operate and manage the Project at its own expense. In such connection the following terms shall apply:

(a) The City shall provide all necessary personnel to operate and manage the Project as a correctional facility. The Director of Corrections of the County is designated as the chief operating official responsible for the day to day operations of the Project. The County shall provide all personnel, materials and supplies necessary to maintain, operate and manage the Project. All County personnel assisting with the operation of the Project shall be and will remain employees of the County 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 Project may be made from time to time as determined by the County to be necessary, desirable or advisable (the “**Improvements**”) and which are included as a part of the capital improvement program included in the County’s capital improvement budget and approved by the County. The County shall contract for work on such Improvements with contracts to be awarded and entered into pursuant to the bidding procedures of the County Purchasing Act, Section 23-3111, Reissue Revised Statutes of Nebraska, as amended. All costs of such Improvements shall be paid by the County.

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

In exercising its authority and carrying out its duties and functions the County 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 County 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 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 two million 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 \$250,000.

(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 County and the Agency as insureds as their respective interests may appear. Insurance required in (a) and (d) above shall be payable to the County. The cost of any and all such insurance shall be treated as a cost of operation and maintenance of the Project and shall be borne by the County.

#### **Utilities and Other Impositions**

The County shall provide for the payment of all utility charges, taxes (if any) and other impositions with respect to the Project or the operation thereof and all such charges or impositions shall be treated as a cost of operation and maintenance of the Project and be paid by the County.

#### **Use of Project**

As long as any Bonds remain outstanding, the proceeds of which were used to acquire, construct, equip, or furnish the Project, the County shall not use the Project, or allow the use thereof, in any manner inconsistent with the original purpose for which the Project was acquired.

#### **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 County 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.

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**APPENDIX F**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

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## CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed and delivered by the LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY (the "Agency").

### RECITALS

1. This Disclosure Certificate is executed and delivered in connection with the issuance by the Agency of \$64,390,000 principal amount of its Building Bonds, Series 2009, dated the date of delivery (February 12, 2009) thereof (the "Bonds"), pursuant to a resolution adopted December 30, 2008 (the "Resolution").

2. The Agency is executing and delivering this Disclosure Certificate for the benefit of the Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule. The Agency is the only "obligated person" with responsibility for continuing disclosure under the Rule.

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

**Section 1. Definitions.** In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 1, the following capitalized terms have the following meanings:

"**Annual Report**" means any annual report provided by the Agency pursuant to, and as described in, Section 2 and Section 3 of this Disclosure Certificate.

"**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.

"**City**" means The City of Lincoln, Nebraska.

"**County**" means The County of Lancaster, Nebraska.

"**Disclosure Representative**" means the Budget Director of the County, or his or her designee, or such other officer or employee as the County shall designate in writing to the Registrar from time to time.

"**Dissemination Agent**" means the Disclosure Representative, acting in his capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Agency that has filed with the Agency a written acceptance of such designation.

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

"**Material Events**" means any of the events listed in Section 4(a) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board.

“National Repository” means any nationally recognized municipal securities information repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth in **Exhibit A** attached hereto. Annual Reports and notices of Material Events are not required to be filed with the National Repositories on or after July 1, 2009.

“Participating Underwriter” means any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

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

“State” means the State of Nebraska.

**Section 2. Provision of Annual Reports.** The Agency shall, or shall cause the Dissemination Agent to, not later March 1 following the end of the Agency’s fiscal year (currently June 30), commencing with the report for the 2007-2008 fiscal year, provide to each Repository an Annual Report that is consistent with the requirements of **Section 3** of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a single package, and may include by reference other information as provided in **Section 3** of this Disclosure Certificate; however, the audited financial statements of the Agency, the City or the County may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Agency’s fiscal year changes, it shall give notice of the change in the same manner as for a Material Event under **Section 4(d)**.

**Section 3. Content of Annual Reports.** The Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Agency, the City and the County for the prior fiscal year, prepared on the budgetary basis of accounting which is a prescribed, comprehensive basis of accounting other than generally accepted accounting principles. If the audited financial statements of the Agency, the City or the County are not available by the time the Annual Report is required to be filed pursuant to **Section 2(a)**, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The operating data of (a) the County updated for the fiscal year then ended in substantially the scope and form contained in “APPENDIX A - THE COUNTY OF LANCASTER, NEBRASKA – GENERAL, ECONOMIC AND FINANCIAL INFORMATION” in the Official Statement, (b) the City updated for the fiscal year then ended in substantially the scope and form contained in “APPENDIX C - THE CITY OF LINCOLN, NEBRASKA – GENERAL, ECONOMIC AND FINANCIAL INFORMATION” in the Official Statement.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Agency, the County, the City or related public entities, which have been submitted to each Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB (via EMMA if

submitted on or after July 1, 2009). The Agency shall clearly identify each such other document so included by reference.

#### **Section 4. Reporting of Material Events.**

(a) Pursuant to the provisions of this **Section 4**, the Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

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

(b) The Dissemination Agent shall, promptly after obtaining actual knowledge of the occurrence of any event that he believes may constitute a Material Event, contact the Agency, inform the Agency of the event, and request that the Agency promptly determine whether to report the event pursuant to **Section 4(d)**. If in response to a request under this **Section 4(b)**, the Agency determines that the event would not be material under applicable federal securities laws, the Disclosure Representative shall so notify the Dissemination Agency in writing and instruct the Dissemination Agent to not report the occurrence pursuant to **Section 4(d)**.

(c) Whenever the Agency obtains knowledge of the occurrence of a Material Event, because of a notice received from the Dissemination Agent pursuant to **Section 4(b)** or otherwise, the Agency shall promptly instruct the Dissemination Agent in writing to report the occurrence pursuant to **Section 4(d)**.

(d) If the Dissemination Agent receives written instructions from the Agency to report the occurrence of a Material Event, the Dissemination Agent shall promptly file a notice of such occurrence with each Repository. Notwithstanding the foregoing, notice of those Material Events described in **Section 4(a)(iv)** and **Section 4(a)(v)** do not need to be given under this **Section 3(d)** any earlier than notice is given to the registered owners of affected Bonds pursuant to the Resolution.

**Section 5. Termination of Reporting Obligation.** The Agency's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Agency shall give notice of such termination in the same manner as for a Material Event under **Section 4(d)**.

#### **Section 6. Dissemination Agent, Other Designated Agents.**

(a) The Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign as dissemination agent hereunder at any time upon 30-days prior written notice to the

Agency. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Agency pursuant to this Disclosure Certificate.

(b) The Agency may, from time to time, appoint or designate one or more agents (each, a “**designated agent**”) to submit Annual Reports, Material Event notices, and other notices or reports with the MSRB via EMMA. The Agency hereby appoints the Dissemination Agent as a designated agent of the Agency solely for the purpose of submitting Agency-approved Annual Reports, Material Event notices, and other notices or reports to the MSRB via EMMA. The Agency revoke this designation at any time upon written notice to the designated agent, and may designate one or more additional designated agents for purposes of this **Section 6(b)** from time to time by written designation to the newly appointed designated agent.

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

(a) If the amendment or waiver relates to the provisions of **Section 2(a)**, **Section 3** or **Section 4** hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

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

(c) The amendment or waiver either (1) is approved by the Beneficial Owners of the Bonds in the same manner as provided for amendments to the Resolution with the consent of the Beneficial Owners, or (2) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Agency shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Agency. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (1) notice of such change shall be given in the same manner as for a Material Event described in **Section 4** hereof, and (2) the audited financial statements for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

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



**Section 9. Default.** In the event of a failure of the Agency or the Dissemination Agent to comply with any provision of this Disclosure Certificate, any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Agency or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Agency or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

**Section 10. Duties and Liabilities of Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Agency agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities that it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Agency under this Section 10 shall survive resignation or removal of the Dissemination Agent and the payment of the Bonds. The Agency shall pay the fees, charges and expenses of the Dissemination Agent in connection with its administration of this Disclosure Certificate.

**Section 11. Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the Agency, the County, the City, the Dissemination Agent, the Participating Underwriter, and the Beneficial Owners of the Bonds, and will create no rights in any other person or entity.

**Section 12. Severability.** If any provision in this Disclosure Certificate, the Resolution or the Bonds shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

**Section 14. Counterparts.** This Disclosure Certificate may be executed in several counterparts, each of which will be an original and all of which will constitute but one and the same instrument. Copies, facsimiles, electronic files and other reproductions of original documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

**Section 15. Electronic Transactions.** The parties agree that the arrangement described herein may be conducted and related documents may be stored by electronic means.

**Section 16. Governing Law.** This Disclosure Certificate shall be governed by and construed in accordance with the laws of the State of Nebraska.

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**DATED:** February 12, 2009

**LANCASTER COUNTY CORRECTIONAL  
FACILITY JOINT PUBLIC AGENCY**

By: \_\_\_\_\_  
Chair

**EXHIBIT A**

**NATIONALLY RECOGNIZED MUNICIPAL  
SECURITIES INFORMATION REPOSITORIES**

**Bloomberg Municipal Repository**

Bloomberg Business Park  
100 Business Park Drive  
Skillman, New Jersey 08558-3629  
Phone: (609) 279-3225  
Fax: (609) 279-5962 or (800) 395-9403  
E-Mail: [Munis@Bloomberg.com](mailto:Munis@Bloomberg.com)

**Standard & Poor's Securities Evaluations, Inc.**

Repository Service  
55 Water Street, 45<sup>th</sup> Floor  
New York, New York 10041-0003  
Phone: (212) 438-4595  
Fax: (212) 438-3975  
E-mail: [nrmsir\\_repository@sandp.com](mailto:nrmsir_repository@sandp.com)

**FT Interactive Data**

Attn: NRMSIR  
100 William Street, 15<sup>th</sup> Floor  
New York, New York 10038  
Phone: (212) 771-6999 or (800) 689-8466  
Fax: (212) 771-7390 (Secondary Market  
Information)  
Fax: (212) 771-7391 (Primary Market  
Information)  
E-Mail: [NRMSIR@ftid.com](mailto:NRMSIR@ftid.com)

**DPC Data Inc.**

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

**MUNICIPAL SECURITIES RULEMAKING BOARD  
(MSRB)**

**For all filings on or after July 1, 2009:**

Via EMMA  
[www.emma.msrb.org](http://www.emma.msrb.org)

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**APPENDIX G**

**BOOK-ENTRY SYSTEM**

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## BOOK ENTRY SYSTEM

**General.** The Bonds are available in book-entry only form. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds. Ownership interests in the Bonds will be available to purchasers only through a book-entry system (the “**Book-Entry System**”) maintained by The Depository Trust Company (“**DTC**”), New York, New York.

The following information concerning DTC and DTC’s book-entry system has been obtained from DTC. The Agency takes no responsibility as to the accuracy or completeness thereof and neither the Indirect Participants nor the Beneficial Owners should rely on the following information with respect to such matters, but should instead confirm the same with DTC or the Direct Participants, as the case may be. There can be no assurance that DTC will abide by its procedures or that such procedures will not be changed from time to time.

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

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

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**CERTIFICATE AS TO REJECTION OF BIDS**

**\$64,390,000**

**Lancaster County Correctional Facility Joint Public Agency  
Correctional Facility Bonds, Series 2009**

**Dated: date of delivery  
(February 12, 2009)**

I, **BERNIE HEIER**, Chair of the Lancaster County Correctional Facility Joint Public Agency (the "Agency"), do hereby certify as follows:

1. **Notice to Bidders.** Pursuant to the Bond Resolution dated December 30, 2008, duly passed and adopted by the Agency (the "**Bond Resolution**"), a Notice of Sale (as defined in the Bond Resolution) dated January 16, 2009 was posted on the AICaution website, [www.aicauction.com](http://www.aicauction.com), a copy of which is attached hereto as **Exhibit A**.

2. **Receipt and Rejection of Bids.** Pursuant to the Notice of Sale, on January 22, 2009, an auction was conducted for the sale of the above-referenced bonds (the "**Bonds**"), at which bids were received as shown in the Auction Report attached hereto as **Exhibit B**. Pursuant to the authority delegated to me by the Bond Resolution, upon consultation with the Agency's financial advisor and a review of conditions then prevailing in the tax-exempt bond market, all of the bids received were rejected because they were significantly higher than then-prevailing interest rates on comparable bond issues.

**IN WITNESS WHEREOF**, being duly authorized, I have executed and delivered this Certificate as to Rejection of Bids.

**DATED:** February 12, 2009.

**LANCASTER COUNTY CORRECTIONAL  
FACILITY JOINT PUBLIC AGENCY**

By:   
Chair

\$65,000,000\*

**LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY  
BUILDING BONDS,  
SERIES 2009**

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**OFFICIAL NOTICE OF SALE**

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The Lancaster County Correctional Facility Joint Public Agency Building Bonds, Series 2009 (the **"Bonds"**) are being offered for sale in accordance with this Official Notice of Sale. Bids for the purchase of the Bonds will be received on behalf of Lancaster County Correctional Facility Joint Public Agency (the **"Agency"**) on the AICaution website (**"AICaution"**) at website address ["www.aicauction.com"](http://www.aicauction.com) on **January 22, 2009** between 11:15 a.m. and 11:30 a.m., Eastern Time or such other date and time as may be established by the Chair or his designee and communicated by Thomson Municipal Market Monitor or on AICaution not less than 20 hours prior to the time bids are to be received. To bid, bidders must have (a) completed the registration form on the AICaution website, and (b) requested and received admission to the Agency's auction as described herein. The use of the AICaution shall be at the bidder's risk and expense, and the Agency shall have no liability with respect thereto.

**January 16, 2009**

\* Estimated, subject to change. Amounts may be increased or decreased after submission of bids as described under **"ADJUSTMENT OF PRINCIPAL AMOUNTS."**

**BOOK-ENTRY**

**OFFICIAL NOTICE OF SALE**

**\$65,000,000\***

**LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY  
BUILDING BONDS  
SERIES 2009**

Notice is hereby given that all-or-none bids will be received by the Lancaster County Correctional Facility Joint Public Agency (the "Agency") for the purchase of \$65,000,000\* aggregate principal amount of Lancaster County Correctional Facility Joint Public Agency Building Bonds, Series 2009 (the "Bonds") only on the AICaution website ("AICaution") at website address "[www.aicauction.com](http://www.aicauction.com)" between 11:15 a.m. and 11:30 a.m. Eastern Time on **Thursday, January 22, 2009**, or on such other date and time as may be established by the Chair or his designee. The principal maturities of the Bonds, or any other provisions of this Official Notice of Sale may be amended by the Agency and communicated by Thomson Municipal Market Monitor or through AICaution not less than 20 hours prior to the time the bids are to be received. To bid, bidders must have (a) completed the registration form on the AICaution website, and (b) requested and received admission to the Agency's auction as described under the heading "**REGISTRATION AND ADMISSION TO BID**" below. Use of the AICaution shall be at the bidder's risk and expense, and the Agency shall have no liability with respect thereto. All capitalized terms used herein which are not otherwise defined shall have the respective meanings set forth in the Preliminary Official Statement hereinafter identified.

**FORM, MATURITY AND PAYMENT OF BONDS**

The Bonds shall be issued in fully registered form in the denominations of \$5,000 each or integral multiples thereof; shall be dated the date of delivery thereof (the "**Dated Date**," currently anticipated to be February 5, 2009); will bear interest from their Dated Date, payable on June 1 and December 1 of each year, commencing June 1, 2009, and shall mature on December 1 in the years as set forth below in the approximate principal amounts set forth below:

<u>Year</u>	<u>Principal Amount*</u>	<u>Year</u>	<u>Principal Amount*</u>
2009	\$2,470,000	2019	\$3,135,000
2010	2,570,000	2020	3,240,000
2011	2,605,000	2021	3,355,000
2012	2,650,000	2022	3,485,000
2013	2,695,000	2023	3,620,000
2014	2,750,000	2024	3,770,000
2015	2,815,000	2025	3,950,000
2016	2,885,000	2026	4,135,000
2017	2,960,000	2027	4,330,000
2018	3,045,000	2028	4,535,000

\* Estimated, subject to change. Amounts may be increased or decreased after submission of bids as described under "**ADJUSTMENT OF PRINCIPAL AMOUNTS.**"

Bonds of any maturities may be designated as term bonds; provided, however that no more than two term bond maturities may be specified in any bid.

### **BOOK-ENTRY SYSTEM**

The Bonds will be initially registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York (“DTC”) under DTC’s Book-Entry system of registration. Purchasers of interests in the Bonds (the “Beneficial Owners”) will not receive physical delivery of bond certificates and ownership by the Beneficial Owners of the Bonds will be evidenced by book-entry notations only. See “APPENDIX D – BOOK-ENTRY SYSTEM” to the Preliminary Official Statement with respect to the Bonds posted on AICaution (the “Preliminary Official Statement”). As long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, payments of principal and interest will be made directly to DTC which will in turn remit such payments to the DTC participants for subsequent disbursement to the Beneficial Owners.

### **ADJUSTMENT OF PRINCIPAL AMOUNTS**

The amount of Bonds maturing in each year may be increased or decreased by no more than 10% so long the aggregate principal amount of the Bonds does not exceed \$65,000,000.

In the event of such adjustment, no rebidding or recalculation of the bids for the Bonds will be permitted or required. The purchase price of the Bonds will be computed by taking the adjusted par amount of the Bonds and either subtracting the aggregate original issue discount or adding the aggregate original issue premium, as applicable, computed on the adjusted par amounts of each maturity of the Bonds and the prices provided by the underwriters. The Bonds of each maturity, as adjusted, will bear interest at the same rate and must have the same initial reoffering yields as specified for that maturity immediately after award of the Bonds by the successful bidder for the Bonds. However, the award will be made to the bidder whose bid produces the lowest true interest cost, calculated as specified below, solely on the basis of the Bonds offered, without taking into account any adjustment in the amount of Bonds pursuant to this paragraph.

### **TERM BOND OPTIONS**

Any bidder may, at its option, specify that the stated maturities of the Bonds will consist of not to exceed two (2) term bonds which are subject to mandatory sinking fund redemption in consecutive years immediately preceding the maturity thereof (a “Term Bond”) as designated in the bid of such bidder. In the event that the bid of the successful bidder specifies that any maturity of the Bonds will be a Term Bond, such Term Bond will be subject to mandatory sinking fund redemption on December 1, in each applicable year, in the principal amount for such year as set forth under the heading “FORM, MATURITY AND PAYMENT OF BONDS,” or as adjusted as provided herein, at a redemption price equal to 100% of the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium.

## OPTIONAL REDEMPTION PROVISIONS

The Bonds maturing on and before December 1, 2018 are not redeemable prior to their stated dates of maturity. The Bonds maturing on or after December 1, 2019 are redeemable prior to their stated dates of maturity, at the option of the Agency, as a whole at any time or in part from time to time on or after December 1, 2018, from such maturities and in such amounts as the Agency in its discretion shall select and by lot within a maturity if less than a full maturity is redeemed, from money which may be available for such purpose and deposited with the paying agent for the Bonds on or before the date fixed for redemption, at a redemption price equal to 100% of the principal amount being redeemed, together with accrued interest on such principal amount to the redemption date.

## AUTHORITY AND PURPOSE

The Bonds are being issued under the authority of, and in full compliance with, the Constitution and statutes of the State of Nebraska, including, without limitation, the Joint Public Agency Act (Chapter 13, Article 25, Reissue Revised Statutes of Nebraska, as amended, the “Act”) and the Lancaster County Correctional Facility Joint Public Agency Agreement dated September 9, 2008 (the “JPA Agreement”) between The County of Lancaster, Nebraska (the “County”) and The City of Lincoln, Nebraska (the “City”). The Bonds were authorized by the Bond Resolution adopted by the Board on December 30, 2008 (the “Bond Resolution”), to pay the costs of constructing, equipping and furnishing new correctional facilities (the “Project”) to comply with correctional facilities standards of the State and to pay certain costs and expenses of issuing the Bonds.

## SECURITY

The Bonds are payable solely from the levy of taxes authorized by the JPA Agreement as set forth below. Under the JPA Agreement, the maximum amount which may be levied annually is \$5,500,000. See “JPA Agreement” below. The average amount of yearly debt service payable by the Agency for the Bonds is estimated not to exceed \$4,750,000. The Bonds will be the only outstanding obligations of the Agency payable from the levy of taxes authorized by the JPA Agreement. The debt service payable on the Bonds will not require the Agency to levy taxes in excess of the levy limit set forth in the JPA Agreement.

### JPA Agreement

Under the JPA Agreement, the County has irrevocably allocated and assigned to the Agency, for the period beginning September 15, 2008 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 to cause the levy of taxes within the taxing district of the County, beginning in the year 2008 for collection in 2009, for the purpose of paying the costs of the Project pursuant to Section 23-120(2), Reissue Revised Statutes of Nebraska, as amended, an amount equal to \$2,000,000 (the “County Levy”) to be levied solely for the purpose of paying the principal or redemption price of and interest on the Bonds.

Under the JPA Agreement, the City has irrevocably allocated and assigned to the Agency, for the period beginning September 15, 2008 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 to cause the levy of taxes within the taxing district of the City, not to exceed \$3,500,000 annually, beginning in the year 2008 for collection in 2009, for the purpose of paying the costs of the Project pursuant to Section 15-202, Reissue Revised Statutes of Nebraska, as amended, in an amount which, when added to the County Levy, will be

sufficient to pay the principal or redemption price of and interest on the Bonds when and as the same become due (the "City Levy"), solely for the purpose of paying the principal or redemption price of and interest on the Bonds.

The County has agreed in the JPA Agreement to implement the County Levy and the City Levy as requested by the Agency as may be required to pay the principal or redemption price of and interest on the Bonds as the same become due, and may not levy less than the Agency's lawful requested or certified levy, as long as any Bonds remain outstanding. The County has further agreed to collect and disburse to the Registrar all taxes levied by the Agency.

#### **INTEREST RATES**

Bidders shall specify rates of interest on the basis of a 360-day year consisting of twelve (12) thirty (30) day months, expressed in multiples of 1/8 or 1/20 of 1% per annum, with the same single interest rate for any one maturity. The use of split or supplemental interest coupons will not be considered and a zero rate or blank rate will not be permitted. All Bonds maturing on the same date shall bear the same rate of interest.

#### **GOOD FAITH DEPOSIT**

**The successful bidder will be required to wire \$650,000 to the Agency as bid security (the "Deposit") by 2:00 p.m., Eastern Time, on January 22, 2009. The Agency will contact the successful bidder to provide wire instructions for the bid security.** The Deposit will be retained by the Agency and: (a) will be applied, without allowance for interest, against the purchase price when the Bonds are actually delivered to and paid for by such successful bidder; or (b) will be retained by the Agency as liquidated damages if the bidder defaults with respect to the bid; or (c) will be returned to the bidder with interest at the rate of 1% per annum if the Bonds are not issued by the Agency for any reason which does not constitute a default by the bidder. The balance of the purchase price shall be paid in Federal Funds.

#### **REGISTRATION AND ADMISSION TO BID**

To bid, bidders must first visit the AICaution website to register, if necessary, and request admission to bid on the Bonds. Bidders will be notified prior to the scheduled bidding time of their eligibility to bid. Only NASD-registered broker-dealers and dealer banks with DTC clearing arrangements will be eligible to bid. The Agency will determine whether any request for admission is granted. Bidders who have previously registered with MuniAuction may call MuniAuction at (412) 391-5555, extension 370 (auction support) for their ID Number or password.

#### **BIDDING PROCEDURES**

All bids must be submitted on the AICaution at [www.aicauction.com](http://www.aicauction.com). No telephone, facsimile, telegraph or personal delivery bids will be accepted. Bidders may change and submit bids as many times as they like during the auction; provided, however, each submitted bid, other than a bidder's initial bid, must result in a lower true interest cost ("TIC"), when compared to the immediately preceding bid of such bidder. The last bid submitted by a bidder before the end of the auction will be compared to all other



final bids submitted by others to determine the winning bidder. During the bidding, no bidder will see any other bidder's bid, but each bidder will see their rank order (i.e., leader, cover, third, etc.). During the bidding, bidders will be able to see whether any bid has been submitted for the Bonds.

Bidders should verify the accuracy of their final bids and compare them to the winning bids reported on the AICaution Observation Page immediately after the auction.

## **RULES OF AICAUTION**

The Rules of AICaution can be viewed on AICaution and are incorporated herein by reference. If the Rules of AICaution conflict with this Official Notice of Sale, this Official Notice of Sale shall govern. In addition to the requirements of this Official Notice of Sale, bidders must comply with the Rules of AICaution set forth below:

(a) A bidder submitting a winning bid is irrevocably obligated to purchase the Bonds at the rates and prices of the winning bid, if acceptable to the Agency. The Bonds are not officially awarded to the winning bidder until its bid is formally accepted by the Agency. The Agency anticipates awarding the Bonds within an hour after the close of bidding.

(b) Neither Ameritas Investment Corp. ("**AIC**") nor MuniAuction (the "**Auction Administrator**") is responsible for technical difficulties that result in loss of a bidder's internet connection with AICaution, a delay in the transmission of a bid, or any other technical problems.

(c) If for any reason a bidder is disconnected from the Auction Page during the auction after having submitted a winning bid, such bid is valid and binding upon the bidder unless the Agency exercises its right to reject bids as set forth herein.

(d) Bids generating error messages are not accepted until the error is corrected and the bid is received prior to the deadline.

(e) Bidders accept and agree to abide by all terms and conditions specified in this Official Notice of Sale including any amendment hereto (the "**Amendments**").

(f) Neither AIC nor the Auction Administrator is responsible to any bidder for any defect or inaccuracy in this Official Notice of Sale, the Amendments, or the Preliminary Official Statement as each appears on AICaution.

(g) Only bidders who request and receive admission to an auction may submit bids. AIC and the Auction Administrator reserve the right to deny access to AICaution to any bidder, whether registered or not, at any time and for any reason whatsoever, in their sole and absolute discretion.

(h) Neither AIC nor the Auction Administrator is responsible for protecting the confidentiality of a bidder's AICaution password.

(i) If a new leading bid is submitted with two minutes or less remaining for the auction, the auction will be automatically extended by two minutes from the time such new

leading bid was received by AICauction. The auction end time will be extended indefinitely until a single leading bid remains the leading bid for at least two minutes.

(j) If two bids submitted in the same auction by the same or different bidders result in the same TIC, the first bid received by AICauction prevails. Any change to a submitted bid constitutes a new bid regardless of whether there is a corresponding change in the TIC or yield to maturity.

(k) Bidders must compare their final bids to those shown on the Observation Page immediately after the bidding period ends, and any disagreement with the final results shown on the Observation Page must be reported to AICauction within 15 minutes after the bidding period ends. Regardless of the final results reported by AICauction, Bonds are definitively awarded to winning bidders only upon official award by the Agency. If, for any reason, the Agency fails to (1) award the Bonds to the winner reported by AICauction or (2) deliver Bonds to winning bidder(s) at settlement, none of AIC, the Auction Administrator, or the Agency will be liable for damages.

#### **TERMS OF BID AND BASIS OF AWARD**

Proposals must be unconditional for the purchase of all of the Bonds. The aggregate purchase price, inclusive of net original issue discount (“OID”) and underwriter’s discount, may not be less than 99% of the principal amount of the Bonds. No bid offering an interest for any maturity in excess of 5.25% will be considered.

The Bonds will be awarded to the bidder offering to purchase all of the Bonds at the lowest TIC. The TIC will be determined by doubling the semi-annual interest rate necessary to discount the semi-annual debt service payments on the Bonds back to the Net Proceeds (defined as the par amount of the Bonds less any original issue discount, plus any original issue premium, and less underwriter’s discount on the Bonds) calculated on a 360-day year to the Dated Date. For purposes hereof, sinking fund installments for any Term Bonds shall be considered as serial maturities. The TIC must be calculated to six (6) decimal places.

**THE AGENCY RESERVES THE RIGHT TO REJECT ALL BIDS OR ANY BID NOT CONFORMING TO THIS OFFICIAL NOTICE OF SALE OR NOT SUBMITTED IN THE FORM OF THE OFFICIAL BID FORM. THE AGENCY ALSO RESERVES THE RIGHT TO WAIVE, IF PERMITTED BY LAW, ANY IRREGULARITY OR INFORMALITY IN ANY PROPOSAL. THE AGENCY SHALL NOT REJECT ANY CONFORMING BID, UNLESS ALL CONFORMING BIDS ARE REJECTED.**

#### **VERIFICATION; RIGHT OF REJECTION**

Bidders should verify the accuracy of their final bids and compare them to the winning bids reported on the AICauction Observation Page immediately after the auction.

The Agency reserves the right to reject any and all bids, to waive any irregularity or informality in any bid, to take any action adjourning or postponing the sale of the Bonds or to take any other action the Agency may deem to be in its best interest.

## STANDARD FILINGS AND CHARGES

The winning bidder will be required to make the standard filings and maintain the appropriate records routinely required pursuant to MSRB Rules G-8, G-11 and G-36. The winning bidder will be required to pay the standard MSRB charge for Bonds purchased. In addition, those who are members of the Bond Market Association (“BMA”) will be required to pay BMA’s standard charge per bond.

## CUSIP NUMBERS AND DTC ELIGIBILITY

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bonds nor any error with respect thereto shall constitute cause for failure or refusal by the successful bidder to accept delivery of and pay for the Bonds in accordance with their agreement to purchase the Bonds. All expenses in relation to the request for and the printing of CUSIP numbers on the Bonds shall be paid for by the Agency.

It is anticipated that the Bonds will be issued in book-entry only form and eligible for custodial deposit with DTC; however, it will be the responsibility of the successful bidder to obtain such eligibility. Failure of the successful bidder to obtain DTC eligibility shall not constitute cause for failure or refusal by the successful bidder to accept delivery of and pay for the Bonds in accordance with its agreement to purchase the Bonds.

## DELIVERY OF BONDS

The Agency will pay the cost of preparing the Bonds. Delivery of and payment for the Bonds will be made on or about February 5, 2009 (the “Date of Delivery”) in New York, New York, or such other time and place mutually acceptable to the successful bidder and the Agency. Payment of the full purchase price, less the Deposit, shall be made to the Agency at the closing, in Federal Reserve Funds of the United States of America, without cost to the Agency.

The legal opinion of Gilmore & Bell, P.C., Lincoln, Nebraska (“Bond Counsel”) will be furnished without charge to the successful bidder at the time of delivery of the Bonds. A supplemental legal opinion of Bond Counsel concerning certain matters concerning the Official Statement will also be provided to the successful bidder without charge.

There will also be furnished at the time of delivery of the Bonds, a certificate or certificates (which may be included in a consolidated closing certificate) relating to the accuracy and completeness of the Official Statement; and stating, among other things, that there is no litigation or administrative action or proceeding pending or, to the knowledge of the Agency, threatened, at the time of delivery of the Bonds, (a) to restrain or enjoin or seeking to restrain or enjoin the issuance and delivery of the Bonds or (b) affecting the validity of the Bonds, and that the Preliminary Official Statement has been deemed by the Agency to be a “final official statement” for purposes of SEC Rule 15c2-12(b)(3) and (4).

The successful bidder will be responsible for the clearance or exemption with respect to the status of the Bonds for sale under the securities or “Blue Sky” laws of the several states and the preparation of any surveys or memoranda in connection with such sale.

## **DISCLOSURE; AMENDMENTS TO NOTICE OF SALE; NOTIFICATION OBLIGATIONS OF PURCHASER**

This Official Notice of Sale is not intended as a disclosure document and bidders are required to obtain and carefully review the Preliminary Official Statement before submitting a bid.

This Official Notice of Sale may be amended from time to time after its initial publication by publication of Amendments on the Amendment Page or by Thomson Municipal Market Monitor not less than 20 hours prior to the time bids are to be received. Each bidder will be charged with the responsibility of obtaining any Amendments and complying with the terms thereof.

The successful bidder shall verify in writing to the Agency its bid by executing **Exhibit A** hereto and attaching a printed copy of its winning bid as reported on the Observation Page.

The successful bidder, by submitting its bid, agrees to furnish to the Agency and Bond Counsel a certificate in substantially the form attached hereto as **Exhibit B** satisfactory to Bond Counsel verifying information as to the bona fide initial offering prices of the Bonds to the public and sales of the Bonds appropriate for determination of the issue price of, and the yield on, the Bonds under the Internal Revenue Code of 1986, as amended, and such other documentation as and at the time requested by Bond Counsel.

### **OFFICIAL STATEMENT**

The Agency shall furnish at its expense within seven business days after the Bonds have been awarded to the successful bidder, or at least five business days before closing, whichever is earlier, up to 100 copies of the final Official Statement, which, in the judgment of the financial advisor to the Agency will permit the successful bidder to comply with applicable SEC and MSRB rules. The Agency will at its expense ship the final Official Statements to no more than five separate addresses. The successful bidder may arrange for additional copies of the final Official Statement or shipment to additional addresses at its expense.

### **CONTINUING DISCLOSURE**

In order to assist bidders in complying with SEC Rule 15c2-12, the Agency will undertake to provide, or cause to be provided, certain financial information and operating data and to provide notices of certain material events. The Agency has covenanted to provide certain financial information and operating data relating to the Agency by not later than May 1 of each year (the "**Annual Report**"), commencing May 1, 2009, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report and notices of material events will be filed by the Dissemination Agent with the Electronic Municipal Market Access established by the Municipal Securities Rulemaking Board or any successor thereto, or any other conduit entity recognized, authorized or approved by the Securities and Exchange Commission for the submission of Annual Reports and Material Events notices. The proposed form of such undertaking is contained in the Preliminary Official Statement. A copy of the undertaking will be made available to the successful bidder by facsimile transmission prior to the delivery of the Bonds and will be included in the transcript of proceedings relating to the issuance of the Bonds.

**DISCLOSURE INFORMATION**

The Preliminary Official Statement, as supplemented and amended by this Official Notice of Sale, is “deemed final” (except for permitted omissions) by the Agency in accordance with SEC Rule 15c2-12 and is available only on AICAuction at [www.aicauction.com](http://www.aicauction.com). The Official Bid Form is also available only on AICAuction at [www.aicauction.com](http://www.aicauction.com). Questions concerning the Preliminary Official Statement may be addressed to Bernie Heier, Chair, Lancaster County Correctional Facility Joint Public Agency, 555 South 10<sup>th</sup> Street, Lincoln, Nebraska 68508, (402) 441-6865 or to the financial advisor to the Agency, Ameritas Investment Corp., 5900 “O” Street, First Floor, Lincoln, Nebraska, 68510, (402) 467-6948, Attention: Scott Keene, before a bid is submitted. Any questions concerning AICAuction should be directed to MuniAuction, Inc. at (412) 391-5555, extension 370 (auction support).

**LANCASTER COUNTY CORRECTIONAL  
FACILITY JOINT PUBLIC AGENCY**

By: \_\_\_\_\_ /s/ Bernie Heier  
Chair

**EXHIBIT A**  
**OFFICIAL BID FORM**

**\$65,000,000\***  
**LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY**  
**BUILDING BONDS,**  
**SERIES 2009**

Lancaster County Correctional Facility Joint Public Agency  
555 South 10<sup>th</sup> Street  
Lincoln, Nebraska 68508

January 22, 2009

Ladies and Gentlemen:

On behalf of the undersigned and any underwriting syndicate which we have formed and lead, and in accordance with the terms and conditions of the attached Official Notice of Sale, dated January 15, 2009, which is hereby made a part of this proposal, we offer to purchase all of the \$65,000,000\* Lancaster County Correctional Facility Joint Public Agency Building bonds, Series 2009 (the “**Bonds**”). We will pay as the purchase price thereof, the aggregate sum of

\_\_\_\_\_ Dollars (\$ \_\_\_\_\_)<sup>(1)</sup>,

in immediately available Federal Funds. The Bonds will be dated the date of delivery thereof, and shall bear interest from such date and shall be payable semiannually commencing on June 1 and December 1 of each year, beginning June 1, 2009, until maturity or prior redemption. The Bonds shall mature in the years and be subject to mandatory sinking fund redemption (if Term Bonds are specified by the bidder) in the amounts, and bear interest at the respective interest rates per annum, all as stated in the following schedule:

Year	Principal Amount* <sup>(1)</sup>	Coupon	Yield	Year	Principal Amount* <sup>(1)</sup>	Coupon	Yield
2009	\$2,470,000			2019	\$3,135,000		
2010	2,570,000			2020	3,240,000		
2011	2,605,000			2021	3,355,000		
2012	2,650,000			2022	3,485,000		
2013	2,695,000			2023	3,620,000		
2014	2,750,000			2024	3,770,000		
2015	2,815,000			2025	3,950,000		
2016	2,885,000			2026	4,135,000		
2017	2,960,000			2027	4,330,000		
2018	3,045,000			2028	4,535,000		

\* Preliminary, subject to change.

<sup>(1)</sup> Subject to adjustment as provided in the Official Notice of Sale.

Bonds of any maturities may be designated as Term Bonds; provided, however, that no more than two Term Bond maturities may be specified in any bid.

The principal installments for the Bonds indicated above, shall be applied for the mandatory retirement of up to two Term Bonds maturing in the years and amounts and bearing interest as follows:

\$ \_\_\_\_\_ Term Bonds maturing on December 1, 20\_\_ at \_\_\_\_\_% per annum to yield \_\_\_\_\_% per annum.

\$ \_\_\_\_\_ Term Bonds maturing on December 1, 20\_\_ at \_\_\_\_\_% per annum to yield \_\_\_\_\_% per annum.

Subject to your acceptance of our Official Bid, we agree to make a bona fide public offering of all the Bonds at yields not lower than those set forth in the above maturity schedule. Our calculation, made as provided in the Official Notice of Sale, of the true interest cost to the Agency is \_\_\_\_\_%. This estimate is for information purposes only and is not binding on the Agency or the undersigned.

In accordance with the Official Notice of Sale, \$650,000 will be wired to the Agency by 2:00 p.m., Eastern Time, on January 22, 2009 (the "Deposit"). The Deposit will be applied or returned in accordance with the provisions of the Official Notice of Sale.

It shall be a condition of our obligation as the successful bidder to accept delivery of, and pay for, the Bonds that, contemporaneously with, or before accepting, the Bonds and paying for them, we shall receive the Closing Documents specified in the Official Notice of Sale.

We hereby acknowledge receipt of the Preliminary Official Statement for the Bonds "deemed final" (except for permitted omissions) by the Agency.

We hereby request that \_\_\_\_\_ copies of the Official Statement (and any supplement thereto) be furnished to us in accordance with the Official Notice of Sale.

We agree to provide a list of all syndicate members by facsimile transmission upon notification of our successful bid. Receipt of such list shall be a condition precedent to the award of the Bonds.

It is understood and agreed that an award will be made for all or none of the Bonds and that the principal amount of the Bonds and our purchase price as bid may be adjusted as provided in the Official Notice of Sale, the terms of which are incorporated herein by reference.

If the foregoing is acceptable to you, please signify by signing and returning a copy of this Official Bid Form to the undersigned bidder whereupon it will become a binding agreement between us.

Respectfully submitted,

\_\_\_\_\_  
Bidder

By: \_\_\_\_\_

Accepted and agreed to January 22, 2009  
**LANCASTER COUNTY CORRECTIONAL FACILITY**  
**JOINT PUBLIC AGENCY**

By: \_\_\_\_\_  
Chair

(No addition or alteration, except as provided above, is to be made to this Official Bid Form and it must not be detached from the attached Official Notice of Sale.)



EXHIBIT B

CLOSING CERTIFICATE  
[UNDERWRITER]

LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY  
BUILDING BONDS  
SERIES 2009

Dated: Date of Delivery (February 22, 2009)

\_\_\_\_\_, acting on behalf of itself and the syndicate selling group, if any, created by it as purchaser (the "Purchaser") of the above-described bonds (the "Bonds") being issued on the date of this Closing Certificate pursuant to the Bond Resolution of the Agency (as amended and supplemented from time to time, the "Resolution"), certifies and represents as follows:

1. **Receipt for Bonds.** The Purchaser acknowledges receipt on the date of this Closing Certificate of the Bonds consisting of fully registered bonds in authorized denominations in a form acceptable to the Purchaser.

2. **Public Offering.** All of the Bonds have been the subject of an initial offering to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers), at prices no higher than the prices set forth on the cover page of the Official Statement dated January 22, 2009 prepared in connection with the issuance of the Bonds plus accrued interest (the "Offering Prices").

On the basis of information available to us which we believe to be correct, we expect that at least 10% of the Bonds of each maturity will be sold to the public at offering prices no higher than such Offering Prices.

3. **Book-Entry Form.** The Purchaser has taken all actions necessary to qualify the Bonds as book-entry bonds with The Depository Trust Company ("DTC"), New York, New York, and has received verbal confirmation from DTC that the Bonds have been issued in book-entry form.

This Closing Certificate may be relied upon by the Agency in executing and delivering the Federal Tax Certificate, and by Gilmore & Bell, P.C., Bonds Counsel, in rendering its opinion relating to the exclusion of the interest on the Bonds from gross income for federal income tax purposes.

Dated: February \_\_\_, 2009.

[PURCHASER NAME]

By: \_\_\_\_\_  
Title: \_\_\_\_\_

EXHIBIT B

**OBSERVATION**

Auction Date	Type	Start	End	Last Update	Status
Thu., Jan 22, 2009	AON	11:15:00 am	11:32:06 am	3:12:59 pm EST	Over

Auction Closed At 11:32:06 am

**NOTICE: ALL BIDS REJECTED**

\$65,000,000\*

Lancaster County Correctional Facility Joint Public Agency, Nebraska  
Building Bonds, Series 2009

	Bidder	Firm	TIC	Time	Gross Interest	+ Discount/ (Premium)	Total Interest
1st	CITI-CR	Citigroup	4.685572%	11:30:06 am	\$35,190,771.94	(303,467.75)	\$34,887,304.19
2nd	HUTC-JV	Hutchinson Shockey Erley	5.108871%	11:32:01 am	\$37,857,511.67	50,000.00	\$37,907,511.67

\*Preliminary, subject to change

Click below to see other bidder results

**AON bids:**CITI-CR, HUTC-JV, PIPE-SC, PRAG-JC, RWBA-TJ, Best Bid, Cover BidGo to: [Terms](#), [Notice of Sale](#), [Amendments](#) (modified 1/19/2009 @ 10:49 am EST), [POS](#), [Rules](#), [Selections](#)Exit to: [AICaution Home Page](#)

For information about auctions, call Ameritas Investment Corp. at (402) 467-6991.  
Please direct questions and comments regarding bidding procedures to the [Auction Administrator](#) or call (412) 391-5555.

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**OBSERVATION**

**Lancaster.Co.CFJPA.BB.09.AON  
AON Individual Bid: Citigroup**

<b>Auction Date</b>	<b>Type</b>	<b>Start</b>	<b>End</b>	<b>Last Update</b>	<b>Status</b>
Thu., Jan 22, 2009	AON	11:15:00 am	11:32:06 am	3:12:59 pm EST	Over

Auction Closed At 11:32:06 am

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**NOTICE: ALL BIDS REJECTED**

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\$65,000,000\*

Lancaster County Correctional Facility Joint Public Agency, Nebraska  
Building Bonds, Series 2009

**Bidder: Citigroup Bidder TIC: 4.685572 % Best AON TIC: 4.685572 % Status: Winner\*\***

<b>Due</b>	<b>Principal Amount*</b>	<b>Serial/Sinker/ Term</b>	<b>Coupon</b>
Dec 1, 2009	\$2,470,000	Serial	4.000%
Dec 1, 2010	\$2,570,000	Serial	4.000%
Dec 1, 2011	\$2,605,000	Serial	3.000%
Dec 1, 2012	\$2,650,000	Serial	3.000%
Dec 1, 2013	\$2,695,000	Serial	3.000%
Dec 1, 2014	\$2,750,000	Serial	4.000%
Dec 1, 2015	\$2,815,000	Serial	5.000%
Dec 1, 2016	\$2,885,000	Serial	5.000%
Dec 1, 2017	\$2,960,000	Serial	5.000%
Dec 1, 2018	\$3,045,000	Serial	5.000%
Dec 1, 2019	\$3,135,000	Serial	5.000%
Dec 1, 2020	\$3,240,000	Serial	5.000%

Dec 1, 2021	\$3,355,000	Serial	5.000%
Dec 1, 2022	\$3,485,000	Serial	5.000%
Dec 1, 2023	\$3,620,000	Serial	5.000%
Dec 1, 2024	\$3,770,000	Serial	4.500%
Dec 1, 2025	\$3,950,000	Serial	4.625%
Dec 1, 2026	\$4,135,000	Serial	4.750%
Dec 1, 2027	\$4,330,000	Serial	4.750%
Dec 1, 2028	\$4,535,000	Serial	5.000%

**Purchase Price: \$65,303,467.75**

**Insurer: None Selected**

**Time Submitted: January 22, 2009 at 11:30:06 AM EST**

<b>AICaution Interest Cost Calculations (for informational purposes only)</b>	
<b>Issue Size</b>	\$65,000,000
<b>Gross Interest</b>	\$35,190,771.94
<b>Plus Discount/(Less Premium)</b>	(303,467.75)
<b>Total Interest Cost</b>	\$34,887,304.19
<b>True Interest Rate</b>	4.685572%
<b>Total Bond Years</b>	739,259.44
<b>Average Life</b>	11.373 Years

**Firm: Citigroup**

\*Preliminary, subject to change

\*\*Winner - Unofficial, subject to verification and award.

**Click below to see other bidder results**

**AON bids:**

**CITI-CR, HUTC-JV, PIPE-SC, PRAG-JC, RWBA-TJ, Best Bid, Cover Bid, Bid Summary**

Go to: [Terms](#), [Notice of Sale](#), [Amendments](#) (modified 1/19/2009 @ 10:49 am EST), [POS](#), [Rules](#),  
[Selections](#)

Exit to: [AICaution Home Page](#)

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*For information about auctions, call Ameritas Investment Corp. at (402) 467-6991.  
Please direct questions and comments regarding bidding procedures to the [Auction Administrator](#) or  
call (412) 391-5555.*

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**OBSERVATION**

**Lancaster.Co.CFJPA.BB.09.AON  
AON Individual Bid: Hutchinson Shockey Erley**

Auction Date	Type	Start	End	Last Update	Status
Thu., Jan 22, 2009	AON	11:15:00 am	11:32:06 am	3:12:59 pm EST	Over

Auction Closed At 11:32:06 am

**NOTICE: ALL BIDS REJECTED**

\$65,000,000\*

Lancaster County Correctional Facility Joint Public Agency, Nebraska  
Building Bonds, Series 2009

**Bidder: Hutchinson Shockey Erley Bidder TIC: 5.108871 % Best AON TIC: 4.685572 % Status: Not Winner**

Due	Principal Amount *	Serial/Sinker/ Term	Coupon
Dec 1, 2009	\$2,470,000	Serial	4.000%
Dec 1, 2010	\$2,570,000	Serial	4.000%
Dec 1, 2011	\$2,605,000	Serial	4.000%
Dec 1, 2012	\$2,650,000	Serial	4.000%
Dec 1, 2013	\$2,695,000	Serial	4.500%
Dec 1, 2014	\$2,750,000	Serial	5.000%
Dec 1, 2015	\$2,815,000	Serial	5.000%
Dec 1, 2016	\$2,885,000	Serial	5.000%
Dec 1, 2017	\$2,960,000	Serial	5.000%
Dec 1, 2018	\$3,045,000	Serial	5.000%
Dec 1, 2019	\$3,135,000	Serial	5.000%
Dec 1, 2020	\$3,240,000	Serial	5.000%
Dec 1, 2021	\$3,355,000	Serial	5.100%

Dec 1, 2022	\$3,485,000	Serial	5.200%
Dec 1, 2023	\$3,620,000	Sinker	5.250%
Dec 1, 2024	\$3,770,000	Sinker	5.250%
Dec 1, 2025	\$3,950,000	Term	5.250%
Dec 1, 2026	\$4,135,000	Sinker	5.250%
Dec 1, 2027	\$4,330,000	Sinker	5.250%
Dec 1, 2028	\$4,535,000	Term	5.250%

**Purchase Price: \$64,950,000.00**

**Insurer: None Selected**

**Time Submitted: January 22, 2009 at 11:32:01 AM EST**

<b>AICaution Interest Cost Calculations</b> (for informational purposes only)	
<b>Issue Size</b>	\$65,000,000
<b>Gross Interest</b>	\$37,857,511.67
<b>Plus Discount/(Less Premium)</b>	50,000.00
<b>Total Interest Cost</b>	\$37,907,511.67
<b>True Interest Rate</b>	5.108871%
<b>Total Bond Years</b>	739,259.44
<b>Average Life</b>	11.373 Years

**Firm: Hutchinson Shockey Erley**

\*Preliminary, subject to change

\*\*Winner - Unofficial, subject to verification and award.

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**Click below to see other bidder results**

**AON bids:**

**[CITI-CR](#), [HUTC-JV](#), [PIPE-SC](#), [PRAG-JC](#), [RWBA-TJ](#), [Best Bid](#), [Cover Bid](#), [Bid Summary](#)**

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Go to: [Terms](#), [Notice of Sale](#), [Amendments](#) (modified 1/19/2009 @ 10:49 am EST), [POS](#), [Rules](#),  
[Selections](#)

Exit to: [AICaution Home Page](#)

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*For information about auctions, call Ameritas Investment Corp. at (402) 467-6991.*

*Please direct questions and comments regarding bidding procedures to the Auction Administrator or call (412) 391-5555.*

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# OBSERVATION

## Lancaster.Co.CFJPA.BB.09.AON AON Individual Bid: Piper Jaffray

Auction Date	Type	Start	End	Last Update	Status
Thu., Jan 22, 2009	AON	11:15:00 am	11:32:06 am	3:12:59 pm EST	Over

Auction Closed At 11:32:06 am

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### NOTICE: ALL BIDS REJECTED

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\$65,000,000\*

Lancaster County Correctional Facility Joint Public Agency, Nebraska  
Building Bonds, Series 2009

**Bidder: Piper Jaffray**    **Bidder TIC: NO BID**    **Best AON TIC: 4.685572 %**    **Status: Not Winner**

Due	Principal Amount*	Serial/Sinker/ Term	Coupon
Dec 1, 2009	\$2,470,000	No Bid	No Bid
Dec 1, 2010	\$2,570,000	No Bid	No Bid
Dec 1, 2011	\$2,605,000	No Bid	No Bid
Dec 1, 2012	\$2,650,000	No Bid	No Bid
Dec 1, 2013	\$2,695,000	No Bid	No Bid
Dec 1, 2014	\$2,750,000	No Bid	No Bid
Dec 1, 2015	\$2,815,000	No Bid	No Bid
Dec 1, 2016	\$2,885,000	No Bid	No Bid
Dec 1, 2017	\$2,960,000	No Bid	No Bid
Dec 1, 2018	\$3,045,000	No Bid	No Bid
Dec 1, 2019	\$3,135,000	No Bid	No Bid
Dec 1, 2020	\$3,240,000	No Bid	No Bid

Dec 1, 2021	\$3,355,000	No Bid	No Bid
Dec 1, 2022	\$3,485,000	No Bid	No Bid
Dec 1, 2023	\$3,620,000	No Bid	No Bid
Dec 1, 2024	\$3,770,000	No Bid	No Bid
Dec 1, 2025	\$3,950,000	No Bid	No Bid
Dec 1, 2026	\$4,135,000	No Bid	No Bid
Dec 1, 2027	\$4,330,000	No Bid	No Bid
Dec 1, 2028	\$4,535,000	No Bid	No Bid

**Purchase Price: NO BID**

**Insurer: None Selected**

<b>AICaution Interest Cost Calculations</b> (for informational purposes only)	
<b>Issue Size</b>	\$65,000,000
<b>Gross Interest</b>	N/A
<b>Plus Discount/(Less Premium)</b>	N/A
<b>Total Interest Cost</b>	N/A
<b>True Interest Rate</b>	N/A
<b>Total Bond Years</b>	N/A
<b>Average Life</b>	N/A

**Firm: Piper Jaffray**

\*Preliminary, subject to change

\*\*Winner - Unofficial, subject to verification and award.

**Click below to see other bidder results**

**AON bids:**

**[CITI-CR](#), [HUTC-JV](#), [PIPE-SC](#), [PRAG-JC](#), [RWBA-TJ](#), **Best Bid**, **Cover Bid**, **Bid Summary****

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**Lancaster.Co.CFJPA.BB.09.AON  
AON Individual Bid: Prager Sealy & Co.**

Auction Date	Type	Start	End	Last Update	Status
Thu., Jan 22, 2009	AON	11:15:00 am	11:32:06 am	3:12:59 pm EST	Over

Auction Closed At 11:32:06 am

---

**NOTICE: ALL BIDS REJECTED**

---

\$65,000,000\*

Lancaster County Correctional Facility Joint Public Agency, Nebraska  
Building Bonds, Series 2009

**Bidder: Prager Sealy & Co. Bidder TIC: NO BID Best AON TIC: 4.685572 % Status: Not Winner**

Due	Principal Amount*	Serial/Sinker/ Term	Coupon
Dec 1, 2009	\$2,470,000	No Bid	No Bid
Dec 1, 2010	\$2,570,000	No Bid	No Bid
Dec 1, 2011	\$2,605,000	No Bid	No Bid
Dec 1, 2012	\$2,650,000	No Bid	No Bid
Dec 1, 2013	\$2,695,000	No Bid	No Bid
Dec 1, 2014	\$2,750,000	No Bid	No Bid
Dec 1, 2015	\$2,815,000	No Bid	No Bid
Dec 1, 2016	\$2,885,000	No Bid	No Bid
Dec 1, 2017	\$2,960,000	No Bid	No Bid
Dec 1, 2018	\$3,045,000	No Bid	No Bid
Dec 1, 2019	\$3,135,000	No Bid	No Bid
Dec 1, 2020	\$3,240,000	No Bid	No Bid

Dec 1, 2021	\$3,355,000	No Bid	No Bid
Dec 1, 2022	\$3,485,000	No Bid	No Bid
Dec 1, 2023	\$3,620,000	No Bid	No Bid
Dec 1, 2024	\$3,770,000	No Bid	No Bid
Dec 1, 2025	\$3,950,000	No Bid	No Bid
Dec 1, 2026	\$4,135,000	No Bid	No Bid
Dec 1, 2027	\$4,330,000	No Bid	No Bid
Dec 1, 2028	\$4,535,000	No Bid	No Bid

**Purchase Price: NO BID**

**Insurer: None Selected**

<b>AICaution Interest Cost Calculations</b> (for informational purposes only)	
<b>Issue Size</b>	\$65,000,000
<b>Gross Interest</b>	N/A
<b>Plus Discount/(Less Premium)</b>	N/A
<b>Total Interest Cost</b>	N/A
<b>True Interest Rate</b>	N/A
<b>Total Bond Years</b>	N/A
<b>Average Life</b>	N/A

**Firm: Prager Sealy & Co.**

\*Preliminary, subject to change

\*\*Winner - Unofficial, subject to verification and award.

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**Click below to see other bidder results**

**AON bids:**

**[CITI-CR](#), [HUTC-JV](#), [PIPE-SC](#), [PRAG-JC](#), [RWBA-TJ](#), [Best Bid](#), [Cover Bid](#), [Bid Summary](#)**

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## Lancaster.Co.CFJPA.BB.09.AON AON Individual Bid: RW Baird

Auction Date	Type	Start	End	Last Update	Status
Thu., Jan 22, 2009	AON	11:15:00 am	11:32:06 am	3:12:59 pm EST	Over

Auction Closed At 11:32:06 am

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**NOTICE: ALL BIDS REJECTED**

---

\$65,000,000\*

Lancaster County Correctional Facility Joint Public Agency, Nebraska  
Building Bonds, Series 2009

**Bidder: RW Baird    Bidder TIC: NO BID    Best AON TIC: 4.685572 %    Status: Not Winner**

Due	Principal Amount*	Serial/Sinker/ Term	Coupon
Dec 1, 2009	\$2,470,000	No Bid	No Bid
Dec 1, 2010	\$2,570,000	No Bid	No Bid
Dec 1, 2011	\$2,605,000	No Bid	No Bid
Dec 1, 2012	\$2,650,000	No Bid	No Bid
Dec 1, 2013	\$2,695,000	No Bid	No Bid
Dec 1, 2014	\$2,750,000	No Bid	No Bid
Dec 1, 2015	\$2,815,000	No Bid	No Bid
Dec 1, 2016	\$2,885,000	No Bid	No Bid
Dec 1, 2017	\$2,960,000	No Bid	No Bid
Dec 1, 2018	\$3,045,000	No Bid	No Bid
Dec 1, 2019	\$3,135,000	No Bid	No Bid
Dec 1, 2020	\$3,240,000	No Bid	No Bid

Dec 1, 2021	\$3,355,000	No Bid	No Bid
Dec 1, 2022	\$3,485,000	No Bid	No Bid
Dec 1, 2023	\$3,620,000	No Bid	No Bid
Dec 1, 2024	\$3,770,000	No Bid	No Bid
Dec 1, 2025	\$3,950,000	No Bid	No Bid
Dec 1, 2026	\$4,135,000	No Bid	No Bid
Dec 1, 2027	\$4,330,000	No Bid	No Bid
Dec 1, 2028	\$4,535,000	No Bid	No Bid

**Purchase Price: NO BID**

**Insurer: None Selected**

<b>AICaution Interest Cost Calculations</b> (for informational purposes only)	
<b>Issue Size</b>	\$65,000,000
<b>Gross Interest</b>	N/A
<b>Plus Discount/(Less Premium)</b>	N/A
<b>Total Interest Cost</b>	N/A
<b>True Interest Rate</b>	N/A
<b>Total Bond Years</b>	N/A
<b>Average Life</b>	N/A

**Firm: RW Baird**

\*Preliminary, subject to change

\*\*Winner - Unofficial, subject to verification and award.

---

**Click below to see other bidder results**

**AON bids:**

**CITI-CR, HUTC-JV, PIPE-SC, PRAG-JC, RWBA-TJ, Best Bid, Cover Bid, Bid Summary**

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**Lancaster.Co.CFJPA.BB.09.AON  
AON Best Bid**

Auction Date	Type	Start	End	Last Update	Status
Thu., Jan 22, 2009	AON	11:15:00 am	11:32:06 am	3:12:59 pm EST	Over

**NOTICE: ALL BIDS REJECTED**

\$65,000,000\*

Lancaster County Correctional Facility Joint Public Agency, Nebraska  
Building Bonds, Series 2009

<b>Best AON Bidder:</b>	<b>Best AON TIC:</b>
<b>Citigroup</b>	<b>4.685572 %</b>

Due	Principal Amount*	Serial/Sinker/ Term	Coupon
Dec 1, 2009	\$2,470,000	Serial	4.000%
Dec 1, 2010	\$2,570,000	Serial	4.000%
Dec 1, 2011	\$2,605,000	Serial	3.000%
Dec 1, 2012	\$2,650,000	Serial	3.000%
Dec 1, 2013	\$2,695,000	Serial	3.000%
Dec 1, 2014	\$2,750,000	Serial	4.000%
Dec 1, 2015	\$2,815,000	Serial	5.000%
Dec 1, 2016	\$2,885,000	Serial	5.000%
Dec 1, 2017	\$2,960,000	Serial	5.000%
Dec 1, 2018	\$3,045,000	Serial	5.000%
Dec 1, 2019	\$3,135,000	Serial	5.000%
Dec 1, 2020	\$3,240,000	Serial	5.000%
Dec 1, 2021	\$3,355,000	Serial	5.000%

Dec 1, 2022	\$3,485,000	Serial	5.000%
Dec 1, 2023	\$3,620,000	Serial	5.000%
Dec 1, 2024	\$3,770,000	Serial	4.500%
Dec 1, 2025	\$3,950,000	Serial	4.625%
Dec 1, 2026	\$4,135,000	Serial	4.750%
Dec 1, 2027	\$4,330,000	Serial	4.750%
Dec 1, 2028	\$4,535,000	Serial	5.000%

**Purchase Price: \$65,303,467.75**

**Insurer: None Selected**

**Time Submitted: January 22, 2009 at 11:30:06 AM EST**

<b>AICauction Interest Cost Calculations</b> (for informational purposes only)	
<b>Issue Size</b>	\$65,000,000
<b>Gross Interest</b>	\$35,190,771.94
<b>Plus Discount/(Less Premium)</b>	(303,467.75)
<b>Total Interest Cost</b>	\$34,887,304.19
<b>True Interest Rate</b>	4.685572%
<b>Total Bond Years</b>	739,259.44
<b>Average Life</b>	11.373 Years

**Firm: Citigroup**

\*Preliminary, subject to change

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**Click below to see other bidder results**

**AON bids:**

**CITI-CR, HUTC-JV, PIPE-SC, PRAG-JC, RWBA-TJ, Cover Bid, Bid Summary**

**Note:** Gray links indicate Bidders who have not submitted bids.

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## Lancaster.Co.CFJPA.BB.09.AON AON Cover Bid

<b>Auction Date</b>	<b>Type</b>	<b>Start</b>	<b>End</b>	<b>Last Update</b>	<b>Status</b>
Thu., Jan 22, 2009	AON	11:15:00 am	11:32:06 am	3:12:59 pm EST	Over

Auction Closed At 11:32:06 am

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**NOTICE: ALL BIDS REJECTED**

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\$65,000,000\*

Lancaster County Correctional Facility Joint Public Agency, Nebraska  
Building Bonds, Series 2009

**Cover AON Bidder: Hutchinson Cover AON TIC: 5.108871 % Best AON TIC: 4.685572 %**  
Shockey  
Erley

Due	Principal Amount*	Serial/ Sinker/ Term	Coupon
Dec 1, 2009	\$2,470,000	Serial	4.000%
Dec 1, 2010	\$2,570,000	Serial	4.000%
Dec 1, 2011	\$2,605,000	Serial	4.000%
Dec 1, 2012	\$2,650,000	Serial	4.000%
Dec 1, 2013	\$2,695,000	Serial	4.500%
Dec 1, 2014	\$2,750,000	Serial	5.000%
Dec 1, 2015	\$2,815,000	Serial	5.000%
Dec 1, 2016	\$2,885,000	Serial	5.000%
Dec 1, 2017	\$2,960,000	Serial	5.000%
Dec 1, 2018	\$3,045,000	Serial	5.000%
Dec 1, 2019	\$3,135,000	Serial	5.000%
Dec 1, 2020	\$3,240,000	Serial	5.000%

Dec 1, 2021	\$3,355,000	Serial	5.100%
Dec 1, 2022	\$3,485,000	Serial	5.200%
Dec 1, 2023	\$3,620,000	Sinker	5.250%
Dec 1, 2024	\$3,770,000	Sinker	5.250%
Dec 1, 2025	\$3,950,000	Term	5.250%
Dec 1, 2026	\$4,135,000	Sinker	5.250%
Dec 1, 2027	\$4,330,000	Sinker	5.250%
Dec 1, 2028	\$4,535,000	Term	5.250%

**Purchase Price: \$64,950,000.00**

**Insurer: None Selected**

**Time Submitted: January 22, 2009 at 11:32:01 AM EST**

<b>AICaution Interest Cost Calculations</b> (for informational purposes only)	
<b>Issue Size</b>	\$65,000,000
<b>Gross Interest</b>	\$37,857,511.67
<b>Plus Discount/(Less Premium)</b>	50,000.00
<b>Total Interest Cost</b>	\$37,907,511.67
<b>True Interest Rate</b>	5.108871%
<b>Total Bond Years</b>	739,259.44
<b>Average Life</b>	11.373 Years

**Firm: Hutchinson Shockey Erley**

\*Preliminary, subject to change

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**Click below to see other bidder results**

**AON bids:**

**[CITI-CR](#), [HUTC-JV](#), [PIPE-SC](#), [PRAG-JC](#), [RWBA-TJ](#), [Best Bid](#), [Bid Summary](#)**

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\$64,390,000

LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY  
CORRECTIONAL FACILITY BONDS  
SERIES 2009

January 27, 2009

BOND PURCHASE AGREEMENT

Lancaster County Correctional Facility Joint Public Agency  
Lincoln, Nebraska

Ladies and Gentlemen:

On the basis of the representations, warranties and covenants and upon the terms and conditions contained in this Bond Purchase Agreement, the undersigned, Ameritas Investment Corp. (the "**Purchaser**"), hereby offers to purchase \$64,390,000 aggregate principal amount of Lancaster County Correctional Facility Joint Public Agency Correctional Facility Bonds, Series 2009 (the "**Bonds**"), to be issued by Lancaster County Correctional Facility Joint Public Agency (the "**Agency**") under and pursuant to a Bond Resolution adopted by the Board of the Agency on December 30, 2008, as amended by an Amendment to Bond Resolution adopted by the Board of the Agency on January 26, 2009 (collectively, the "**Resolution**"). Capitalized terms used herein shall have the meanings set forth in the Resolution unless some other meaning is plainly indicated.

This offer is made subject to acceptance of this Bond Purchase Agreement by the Agency on or before 9:00 p.m., Central Time, on January 27, 2009.

**SECTION 1. AGENCY'S REPRESENTATIONS AND WARRANTIES**

By acceptance hereof, the Agency hereby represents and warrants to the Purchaser that:

(a) The Agency is a political subdivision and a public body corporate and politic duly organized and existing under the laws of the State of Nebraska (the "**State**") and is authorized and empowered pursuant to the Constitution and statutes of the State, including, without limitation, the Joint Public Agency Act (Chapter 13, Article 25, Reissue Revised Statutes of Nebraska, as amended, the "**JPA Act**") and the Joint Public Agency Agreement Creating the Lancaster County Correctional Facility Joint Public Agency dated September 9, 2008 (the "**JPA Agreement**") between The County of Lancaster, Nebraska (the "**County**") and the City of Lincoln, Nebraska (the "**City**") to issue and sell the Bonds pursuant to the Resolution, and approved by the County and the City, for the purposes specified therein and to pledge the taxes authorized by the Act and the JPA Agreement for the payment of the principal or redemption price of and interest on the Bonds.



(b) The Agency has complied with all provisions of the Constitution and the laws of the State and the JPA Agreement and has full power and authority to consummate all transactions contemplated by this Agreement, the Bonds, the JPA Agreement and the Resolution and all authorizations, approvals, consents and orders of any governmental authority (including, without limitation, the County and the City), legislative body, board, agency or official having jurisdiction over the subject matter have been duly obtained timely as required (except for any approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds).

(c) The Agency has duly authorized by all necessary action to be taken by the Agency (1) the adoption and performance of the Resolution; (2) the execution, delivery and performance of this Bond Purchase Agreement; (3) the approval of the Official Statement (hereinafter defined); (4) the execution and performance of any and all such other agreements and documents as may be required to be executed, delivered and performed by the Agency in order to carry out, give effect to and consummate the transactions contemplated by the Resolution and this Bond Purchase Agreement; and (5) the carrying out, giving effect to and consummation of the transactions contemplated by the Resolution and this Bond Purchase Agreement. Executed counterparts of the Resolution and all such other agreements and documents specified herein will be delivered to the Purchaser by the Agency at the Closing Time (defined below).

(d) The Resolution, as adopted and when certified and delivered on behalf of the Board, will be in the form approved by the Agency on the date hereof, with only such changes therein or modifications thereof as to which the Underwriter, the Agency and Bond Counsel shall mutually agree. If any changes in or modifications to the Resolution are not acceptable to the Underwriter, the Underwriter shall have the right to cancel its obligation to purchase the Bonds hereunder. This Agreement, upon execution and delivery, and the Bond Resolution when adopted, constitute valid and binding obligations of the Agency, enforceable in accordance with their respective terms, except to the extent that enforcement thereof may be limited by any applicable bankruptcy, reorganization, insolvency, moratorium or other law or laws affecting the enforcement of creditors' rights generally or against entities such as the Agency and further subject to the availability of equitable remedies. The Bonds, when issued, delivered and paid for as herein provided, will have been duly executed, authenticated, issued and delivered and will constitute valid and binding obligations of the Agency payable as to principal, redemption price and interest and secured as provided in the Resolution and the JPA Agreement, enforceable in accordance with their terms and entitled to the benefits and security of the Bond Resolution and the JPA Agreement

(e) The Bonds are limited tax general obligations of the Agency payable solely out of the proceeds of taxes levied by the Agency pursuant to the provisions of the JPA Act and the JPA Agreement. Under the JPA Agreement, the County has allocated to the Agency its authority to cause the levy of taxes within the taxing district of the County pursuant to Section 23-120(2), Reissue Revised Statutes of Nebraska, as amended, an amount equal to \$2,000,000 (the "County Levy"), and the City has allocated to the Agency its authority to cause the levy of taxes within the taxing district of the City, not to exceed \$3,500,000 annually pursuant to Section 15-202, Reissue Revised Statutes of Nebraska, as amended, in an amount which, when added to the County Levy, will be sufficient to pay the principal or redemption price of and interest on the Bonds when and as the same become due (the "City Levy").

(f) The adoption of the Resolution and the execution and delivery of this Bond Purchase Agreement, the Bonds and the Official Statement and compliance with the provisions thereof, will not conflict with or constitute on the part of the Agency a violation or breach of, or a default under, any existing law, regulation, court or administrative decree or order, or any agreement, resolution, mortgage, lease or other instrument to which it is subject or by which it is or may be bound.

(g) The Agency is not, or with the giving of notice or lapse of time or both would not be, in violation of or in default under any law, agreement, indenture, mortgage, deed of trust, loan agreement, bonds or other agreement or instrument to which the Agency is a party or by which it is or may be bound, except for violations and defaults which individually and in the aggregate are not material to the Agency and will not be material to the holders of the Bonds. As of the Closing Time, no event will have occurred and be continuing which with the lapse of time or the giving of notice, or both, would constitute an event of default under the Resolution or the Bonds.

(h) The information contained in the Preliminary Official Statement dated January 22, 2009, as amended and supplemented by the Official Statement dated January 27, 2009 and in any amendment or supplement thereto that may be authorized for use by the Agency with respect to the Bonds (collectively, the “**Official Statement**”), relating to (1) the organization, operations, and financial and other affairs of the Agency, (2) the financial statements referred to in **Section 1(h)**, (3) application by the Agency of the proceeds to be received by it from the sale of the Bonds, and (4) the Agency’s participation in the transactions contemplated by the Resolution and this Bond Purchase Agreement is, and as of the Closing Time will be, true, correct and complete in all material respects and does not omit and will not omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(i) For the purpose of enabling the Purchaser to comply with the requirements of Rule 15c2-12(b)(1) of the Securities and Exchange Commission, promulgated under the Securities Exchange Act of 1934, as amended (the “**1934 Act**”), the Agency hereby deems the information regarding the Agency contained in the Preliminary Official Statement to be “final” as of its date, except for the omission of such information as is permitted by the, such as offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings, identity of the underwriters and other terms of the Bonds depending on such matters.

(j) The financial statements of the County for the fiscal year ended June 30, 2007, audited by Bland & Associates, P.C., contained in Appendix B of the Official Statement, except as noted therein, present fairly and accurately the financial condition of the County as of the date indicated and the results of its operations for the period specified, and such financial statements are prepared in conformity with generally accepted accounting principles consistently applied in all material respects for the periods involved. The financial statements of the City for the fiscal years ended August 31, 2007, audited by BKD LLP, contained in Appendix D of the Official Statement, except as noted therein, present fairly and accurately the financial condition of the City as of the date indicated and the results of its operations for the period specified, and such financial statements are prepared in conformity with generally accepted accounting principles consistently applied in all material respects for the periods involved.

(k) The Agency has not, since inception, incurred any material liabilities and there has been no material adverse change in the condition of the Agency, financial or otherwise, other than as set forth in the Official Statement.

(l) The Agency is authorized under Section 13-3521, Reissue Revised Statutes of Nebraska, as amended, to incur indebtedness and issue and sell bonds of the Agency to evidence such indebtedness for lawful purposes.

(m) To the best of the Agency’s knowledge, the execution and delivery of the Official Statement, this Agreement, the Bonds, the Resolution and the other agreements contemplated hereby and by the Official Statement, and compliance with the provisions thereof, will not conflict with or constitute on the part of the Agency a breach of or a default under any existing law, court or administrative

regulation, decree or order or any resolution, agreement, indenture or other instrument to which the Agency is subject or by which it is or may be bound nor will such execution and delivery or performance and compliance with the terms thereof result in the creation or imposition of any lien, charge or other encumbrance of any nature whatsoever upon any of its property or assets except as provided in the Bonds, the JPA Agreement and the Resolution. The Agency is not at present in default and has never been in default with respect to the payment of any principal of or interest on any bond or other evidence of indebtedness for borrowed money.

(n) The Agency has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the Agency is a bond issuer whose arbitrage certifications may not be relied upon.

Any certificate signed by any of the authorized officials of the Agency and delivered to the Purchaser in connection with the Closing shall be deemed a representation and warranty by the Agency to the Purchaser as to the statements made therein.

## **SECTION 2. COVENANTS AND AGREEMENTS OF THE AGENCY**

The Agency covenants and agrees with the Purchaser for the time period specified, and if no period is specified, for so long as any of the Bonds remain outstanding, as follows:

(a) To cooperate with the Purchaser and its counsel in any reasonable endeavor to qualify the Bonds for offering and sale under the securities or "Blue Sky" laws of such jurisdictions of the United States of America (the "**United States**") as the Purchaser may reasonably request; provided that nothing contained herein shall require the Agency to file written consents to suit or written consents to service of process in any jurisdiction in which such consent may be required by law or regulation so that the Bonds may be offered or sold. The Agency consents to the use of drafts of the Preliminary Official Statement, the Preliminary Official Statement and drafts of the Official Statement prior to the availability of the Official Statement by the Purchaser in obtaining such qualification. The Purchaser shall pay all expenses and costs (including legal, registration and filing fees) incurred in connection therewith.

(b) If, prior to the earlier of (1) 90 days after the "end of the underwriting period" (as defined in Rule 15c2-12 under the 1934 Act) or (2) the time when the Official Statement is available to any person from a nationally recognized municipal securities information repository, but in no case earlier than 25 days after the end of the underwriting period, any event shall occur relating to or affecting the Agency as a result of which it is necessary to amend or supplement the Official Statement in order to make the statements therein, in the light of the circumstances existing when the Official Statement is delivered to a purchaser, not materially misleading, or the Official Statement is required to be amended or supplemented to comply with law, the Agency shall promptly prepare and furnish, at the expense of the Agency, to the Purchaser and to the dealers (whose names and addresses the Purchaser will furnish to the Agency) to which Bonds may have been sold by the Purchaser and to any other dealers upon request, such amendments or supplements to the Official Statement as may be necessary so that the statements in the Official Statement as so amended or supplemented will not, in the light of the circumstances existing when the Official Statement is delivered to a purchaser of the Bonds, be misleading or so that the Official Statement will comply with law.

(c) Within seven business days after the date of this Bond Purchase Agreement or within sufficient time to accompany any confirmation that requests payment from any customer of the Purchaser, whichever is earlier, the Agency shall provide to the Purchaser sufficient copies of the Official Statement

to enable the Purchaser to comply with the requirements of Rule 15c2-12(b)(4) under the 1934 Act, and with the requirements of Rule G-32 of the Municipal Securities Rulemaking Board.

(d) From the date hereof until the Closing Time (hereinafter defined), the Agency shall furnish the Purchaser with a copy of any proposed amendment or supplement to the Official Statement for review and shall not to use any such proposed amendment or supplement to which the Purchaser reasonably objects.

(e) The proceeds of the Bonds will be used as provided in the Resolution for the purpose of paying the costs of the Project, paying a portion of the interest accruing on the Bonds during the acquisition and construction period, and to pay the costs of issuing the Bonds.

### **SECTION 3. PURCHASE, SALE AND DELIVERY OF THE BONDS**

On the basis of the representations, warranties, covenants and agreements contained herein and in the other agreements and documents referred to herein, and subject to the terms and conditions herein set forth, at the Closing Time the Purchaser agrees to purchase from the Agency and the Agency agrees to sell to the Purchaser all, but not less than all, of the Bonds at a purchase price equal to \$65,019,858.30 (par amount thereof plus net original issue premium equal to \$1,112,783.30 and less an underwriting discount of \$482,925.00). The Bonds shall be issued under and secured as provided in the Resolution, and the Bonds shall have the maturities and interest rates and be subject to redemption as set forth in **Schedule 1** attached hereto.

The Purchaser initially agrees to offer the Bonds to the public at the prices set forth **Schedule 1** attached hereto, but may subsequently change such offering price; the Purchaser agrees to notify the Agency of such changes, if such changes occur prior to the Closing Time, but failure so to notify shall not invalidate such changes. The Purchaser may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) at prices lower than the public offering prices.

Payment for the Bonds shall be made by federal wire transfer or certified or official bank check or draft in immediately available federal funds payable to the order of the Agency for the account of the Agency, at the offices of Gilmore & Bell, P.C., Wells Fargo Center, 1248 "O" Street, Suite 710, Lincoln, Nebraska at 9:00 a.m. Central Time, on February 12, 2009, or such other place, time or date as shall be mutually agreed upon by the Agency and the Purchaser. Upon such payment, the Bonds shall be delivered and released upon the instructions of the Purchaser to The Depository Trust Company, New York, New York. The date of such delivery and payment is herein called the "**Closing Date,**" and the hour and date of such delivery and payment is herein called the "**Closing Time.**"

The delivery of the Bonds shall be made in definitive form, as fully registered bonds (in such denominations as the Purchaser shall specify in writing at least 48 hours prior to the Closing Time) duly executed and authenticated and bearing CUSIP numbers (provided neither the printing of a wrong number on any Bond nor the failure to print a number thereon shall constitute cause to refuse delivery of any Bond); provided, however, that the Bonds may be delivered in temporary form. If delivered in definitive form, the Bonds shall be available for examination and packaging by the Purchaser at least 24 hours prior to the Closing Time.

#### **SECTION 4. USE OF OFFICIAL STATEMENT**

The Agency hereby ratifies and confirms the Purchaser's use of the Preliminary Official Statement; and the Agency authorizes, and will make available, the Official Statement for the use by the Purchaser in connection with the sale of the Bonds.

#### **SECTION 5. CONDITIONS TO THE PURCHASER'S OBLIGATIONS**

The Purchaser's obligations hereunder shall be subject to the due performance by the Agency of its obligations and agreements to be performed hereunder at or prior to the Closing Time and to the accuracy and completeness of the Agency's representations and warranties contained herein, as of the date hereof and as of the Closing Time, and are also subject to the following conditions:

(a) The Bonds shall have been duly authorized, executed and delivered in the form heretofore provided for by the Resolution with only such changes therein as shall be mutually agreed upon by the Purchaser and the Agency.

(b) At the Closing Time, the Purchaser shall receive:

(1) The opinion in form and substance satisfactory to the Purchaser, dated as of the Closing Date, of Gilmore & Bell, P.C., Bond Counsel, relating to the valid authorization and issuance of the Bonds, the due authorization and adoption of the Resolution by the Board of the Agency and certain other matters.

(2) Certified copies of resolutions of the Agency authorizing or approving, as appropriate, the execution and delivery of the Official Statement, this Bond Purchase Agreement, the Resolution and the Bonds, together with certificates dated the Closing Date to the effect that such resolutions or Resolutions have not been modified, amended or repealed.

(3) A certificate of the Agency, satisfactory in form and substance to the Purchaser, dated as of the Closing Date, to the effect that (A) since the date of the Preliminary Official Statement there has not been any material adverse change in the business, properties, financial condition or results of operations of the Agency, whether or not arising from transactions in the ordinary course of business, from that set forth in the Preliminary Official Statement, and except in the ordinary course of business or as set forth in the Preliminary Official Statement, the Agency has not incurred any material liability; (B) there is no action, suit, proceeding or, to the knowledge of the Agency, any inquiry or investigation at law or in equity or before or by any public board or body pending or, to the knowledge of the Agency, threatened against or affecting the Agency, its officers or its property or, to the best of the knowledge of the Agency, any basis therefor, wherein an unfavorable decision, ruling or finding would adversely affect the Agency, the transactions contemplated hereby or by the Resolution or the Official Statement or the validity or enforceability of the Bonds, the Resolution or the Bond Purchase Agreement, which are not disclosed in the Official Statement; (C) to the knowledge of the Agency, the information contained in the Official Statement (except for the material under the headings "TAX MATTERS" and "UNDERWRITING" and in Appendix E) is true in all material respects and does not contain any untrue statement of a material fact and does not omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; (D) the Agency has authorized, by all necessary action, the execution, delivery, receipt and due performance of the terms and provisions of the Bonds, the Bond Resolution, this Agreement, and any and all such other agreements and documents as may be required to be

executed, delivered and received by the Agency to carry out, give effect to and consummate the transactions contemplated hereby and by the Official Statement; (E) to the best of the Agency's knowledge, the execution, delivery, receipt and due performance of the Bonds, the Bond Resolution, this Agreement, and the other agreements contemplated hereby and by the Official Statement under the circumstances contemplated hereby and thereby and compliance with the provisions thereof will not conflict with or constitute a breach of or a default under any existing law, court or administrative regulation, decree or order or any resolution, agreement, indenture or other instrument to which the Agency is subject or by which it is or may be bound; and (F) the representations and warranties of the Agency set forth herein were accurate and complete as of the date hereof and are accurate and complete as of the Closing Time.

(4) A completed Form 8038-G (Information Return for Tax-Exempt Governmental Bond Issuers);

(5) Certified copies of the resolutions of the County and the City approving the issuance of the Bonds;

(6) Such additional certificates, legal and other documents, listed on a closing agenda to be approved by Bond Counsel and counsel to the Purchaser, as the Purchaser may reasonably request to evidence performance or compliance with the provisions hereof and the transactions contemplated hereby and by the Resolution, or as Bond Counsel shall require in order to render its opinion, all such certificates and other documents to be satisfactory in form and substance to the Purchaser.

## **SECTION 6. CONDITIONS TO THE AGENCY'S OBLIGATIONS**

If the Agency is unable to satisfy the conditions to the obligations of the Underwriter contained in this Agreement, or if the obligations of the Underwriter are terminated for any reason permitted by this Agreement, this Agreement shall terminate and neither the Underwriter nor the Agency shall be under further obligation hereunder except their respective obligations with respect to payment of expenses as provided in **Section 9** hereof.

## **SECTION 7. THE PURCHASER'S RIGHT TO CANCEL**

The Purchaser shall have the right to cancel its obligations hereunder to purchase the Bonds (which cancellation shall not constitute a default for purposes of **Section 3** hereof) by notifying the Agency in writing or by telegram of its election to make such cancellation prior to the Closing Time, if at any time prior to the Closing Time:

(a) The Preliminary Official Statement deemed by the Agency to be "final" pursuant to **Section 1(i)** is thereafter amended or supplemented in a manner that may, in the reasonable judgment of the Purchaser, have a material adverse effect on the marketability of the Bonds.

(b) A committee of the House of Representatives or the Senate of the Congress of the United States shall have pending before it legislation which, if enacted in its form as introduced or as amended, would have the purpose or effect of imposing federal income taxation upon interest received on obligations of the general character of the Bonds, or the Bonds, which, in the Purchaser's opinion, materially adversely affects the market price of the Bonds;

(c) A tentative decision with respect to legislation shall be reached by a committee of the House of Representatives or the Senate of the Congress of the United States, or legislation shall be favorably reported by such a committee or be introduced, by amendment or otherwise, in or be passed by the House of Representatives or the Senate, or be recommended to the Congress of the United States for passage by the President of the United States, or be enacted by the Congress of the United States, or a decision by a court established under Article III of the Constitution of the United States or the Tax Court of the United States shall be rendered, or a ruling, regulation or order of the Treasury Department of the United States or the Internal Revenue Service shall be made or proposed having the purpose or effect of imposing federal income taxation, or any other event shall have occurred which results in the imposition of federal income taxation, upon interest received on obligations of the general character of the Bonds, or the Bonds, which, in the Purchaser's opinion, materially and adversely affects the market price of the Bonds;

(d) Any legislation, Resolution, rule or regulation shall be introduced in or be enacted by the General Assembly of the State of Nebraska or by any other governmental body, department or agency of the State of Nebraska, or a decision by any court of competent jurisdiction within the State of Nebraska shall be rendered which, in the Purchaser's opinion, materially and adversely affects the market price of the Bonds, or litigation challenging the law under which the Bonds are to be issued shall be filed in any court in the State of Nebraska;

(e) A stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including all underlying obligations, as contemplated hereby or by the Official Statement, is in violation or would be in violation of any provision of the Securities Act of 1933, as amended (the "1933 Act"), the 1934 Act or the Trust Indenture Act of 1939, as amended;

(f) Legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, to the effect that obligations of the general character of the Bonds, or the Bonds, including all the underlying obligations, are not exempt from registration under or from other requirements of the 1933 Act or the 1934 Act;

(g) Any event shall have occurred, or information become known, which, in the Purchaser's opinion, makes untrue in any material respect any statement or information contained in the Preliminary Official Statement as originally circulated, or has the effect that the Preliminary Official Statement as originally circulated contains an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading;

(h) Additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange;

(i) The New York Stock Exchange or any other national securities exchange, or any governmental authority, shall impose, as to the Bonds or obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Purchaser;

(j) Any general banking moratorium shall have been established by federal, New York or Nebraska authorities;

(k) A material default has occurred with respect to the obligations of, or proceedings have been instituted under the Federal bankruptcy laws or any similar state laws by or against, any state of the United States or any Agency located in the United States having a population in excess of one million persons or any entity issuing obligations on behalf of such a Agency or state which, in the Purchaser's opinion, materially adversely affects the market price of the Bonds;

(l) Any proceeding shall be pending or threatened by the Securities and Exchange Commission against the Agency; or

(m) A war involving the United States shall have been declared, or any conflict involving the armed forces of the United States shall have escalated, or any other national emergency relating to the effective operation of government or the financial community shall have occurred, which, in the Purchaser's opinion, materially adversely affects the market price of the Bonds.

## **SECTION 8. INDEMNIFICATION**

The Agency agrees, to the extent legally permitted, to indemnify and hold harmless the Purchaser, any director, officer, employee or controlling person of the Purchaser within the meaning of Section 15 of the 1933 Act (collectively, the "**Indemnified Parties**"), against any and all losses, claims, damages, liabilities or expenses whatsoever caused by any untrue statements or misleading statement or allegedly misleading statement of a material fact contained in the Official Statement or caused by any omission or alleged omission from the Official Statement of any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading; provided that the Agency shall have no indemnification obligation with respect to any statement or omission in the information contained in the Official Statement under the heading "**Underwriting.**"

In case any action shall be brought against one or more of the Indemnified Parties based upon the Official Statement and in respect of which indemnity may be sought against the Agency, the Indemnified Parties shall promptly notify the Agency in writing and the Agency shall promptly assume the defense thereof, including the employment of counsel, the payment of all expenses and the right to negotiate and consent to settlement. Any one or more of the Indemnified Parties shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party or Indemnified Parties unless employment of such counsel has been specifically authorized by the Agency. The Agency shall not be liable for any settlement of any such action effected without its consent by any of the Indemnified Parties, but if settled with the consent of the Agency or if there be a final judgment for the plaintiff in any such action against the Agency or any of the Indemnified Parties, with or without the consent of the Agency, the Agency agrees to indemnify and hold harmless the Indemnified Parties to the extent provided herein

## **SECTION 9. PAYMENT OF EXPENSES**

Whether or not the Bonds are sold by the Agency to the Purchaser (unless such sale be prevented at the Closing Time by the Purchaser's default), the Purchaser shall be under no obligation to pay any expenses incident to the performance of the obligations of the Agency hereunder. If the Bonds are sold by the Agency to the Purchaser, the Purchaser shall pay the costs of printing the Preliminary Official Statement and the final Official Statement, together with MSRB and CUSIP fees, and the Agency shall pay all remaining expenses and costs of authorizing, preparing, issuing, delivering and selling the Bonds (including, without limitation, the fees and disbursements of Gilmore & Bell, P.C., Bond Counsel, the fees and disbursements of the Purchaser, in connection with the offering and sale of the Bonds and the expenses and costs for the preparation, printing, photocopying, execution and delivery of the Bonds, this



Bond Purchase Agreement and all other agreements and documents contemplated hereby). All such expenses and costs shall be paid by the Agency if the Agency does not sell the Bonds to the Purchaser (unless such sale be prevented at the Closing Time by the Purchaser's default).

**SECTION 10. REPRESENTATIONS AND AGREEMENTS TO SURVIVE DELIVERY.**

All of the Agency's representations and agreements shall remain operative and in full force and effect, regardless of any investigations made by the Purchaser, and shall survive delivery of the Bonds to the Purchaser.

**SECTION 11. MISCELLANEOUS AND NOTICE**

No officer, agent or any employee of the Agency shall be charged personally by the Underwriter with any liability, or held personally accountable to the Underwriter, under any term or provision of this Agreement, or because of its execution or attempted execution, or because of any breach, or attempted or alleged breach, of this Agreement.

Any notice or other communication to be given under this Bond Purchase Agreement may be given by mailing or delivering the same in writing to the applicable person, as follows:

(a) If to the Agency, 555 South 10<sup>th</sup> Street, Lincoln, Nebraska 68508, Attention: County Budget Director.

(b) If to the Purchaser, Ameritas Investment Corp., 5900 "O" Street, First Floor, Lincoln, Nebraska 68510, Attention: Scott Keene.

**SECTION 12. APPLICABLE LAW: NONASSIGNABILITY**

The laws of the State shall govern this Bond Purchase Agreement. This Bond Purchase Agreement shall not be assigned.

**SECTION 13. EXECUTION OF COUNTERPARTS**

This Bond Purchase Agreement may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same document.

**SECTION 14. RIGHTS HEREUNDER**

This Bond Purchase Agreement is made for the benefit of the Agency and the Purchaser and no other person including any purchaser of the Bonds shall acquire or have any rights hereunder or by virtue hereof.

**SECTION 15. EFFECTIVE DATE**

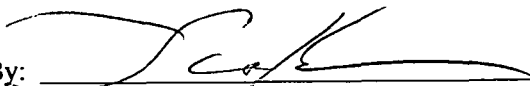
This Bond Purchase Agreement shall become effective upon acceptance hereof by the Agency.

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

Upon your acceptance of the offer, the foregoing agreement will be binding upon you and the Purchaser. Please acknowledge your agreement with the foregoing by executing the enclosed copy of this Bond Purchase Agreement prior to the date and time specified on page 1 hereof and returning it to the undersigned.

Very truly yours,

**AMERITAS INVESTMENT CORP.**

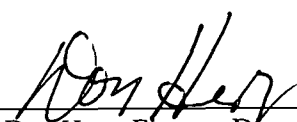
By:   
Vice President and Managing Director

Accepted and agreed to as of  
the date first above written.

**LANCASTER COUNTY CORRECTIONAL  
FACILITY JOINT PUBLIC AGENCY**

By:   
Chair

Terms and conditions approved  
after consultation

By:   
Don Herz, Finance Director  
The City of Lincoln, Nebraska

## SCHEDULE 1

### TERMS OF THE BONDS

<u>Maturity (December 1)</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP Number</u>
2009	\$ 2,430,000	1.00%	1.00%	100.000%	513887 AA8
2010	2,390,000	2.00	1.50	100.885	513887 AB6
2011	2,440,000	3.00	1.65	103.681	513887 AC4
2012	2,510,000	2.25	1.78	101.719	513887 AD2
2013	2,570,000	3.00	2.02	104.462	513887 AE0
2014	2,645,000	3.00	2.28	103.890	513887 AF7
2015	2,725,000	3.00	2.50	103.107	513887 AG5
2016	2,805,000	3.00	2.73	101.883	513887 AH3
2017	2,890,000	3.00	2.96	100.305	513887 AJ9
2018	2,980,000	4.00	3.19	106.768	513887 AK6
2019	3,095,000	3.50	3.44*	100.492	513887 AL4
2020	3,205,000	3.60	3.75	98.576	513887 AM2
2021	3,320,000	5.00	4.03*	107.785	513887 AN0
2022	3,485,000	5.00	4.23*	106.120	513887 AP5
2023	3,660,000	5.00	4.43*	104.486	513887 AQ3
2028**	21,240,000	5.00	5.08	99.000	513887 AR1

\*Yield to date of first optional redemption

\*\*Term Bonds

#### Optional Redemption

Bonds maturing on or prior to December 1, 2018 are not subject to redemption prior to their stated maturities. Bonds maturing on or after December 1, 2019 are subject to redemption prior to maturity at the option of the Agency in whole or in part, at any time on or after December 1, 2018 in such principal amounts and from such maturity or maturities as the Agency shall specify and by lot in integral multiples of \$5,000 within a maturity at a redemption price equal to 100% of the principal amount then being redeemed, together with accrued interest on such principal amount to the date fixed for redemption.

#### Mandatory Sinking Fund Redemption

The Bonds maturing December 1, 2028 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 1 the following principal amounts of Bonds:

<u>Year</u>	<u>Principal Amount</u>
2024	\$3,845,000
2025	4,035,000
2026	4,240,000
2027	4,450,000
2028*	4,670,000

\*Final maturity

**BOND REGISTRAR AND PAYING AGENT AGREEMENT**  
(the "Agreement")

dated February 12, 2009

**LANCASTER COUNTY CORRECTIONAL FACILITIES JOINT PUBLIC AGENCY**  
(the "Agency")

and

**WELLS FARGO BANK, NATIONAL ASSOCIATION**  
(the "Registrar")

**RECITALS**

A. The Agency, a joint public agency duly organized and validly existing under the laws of the State of Nebraska, including, without limitation, the Joint Public Agency Act (Chapter 13, Article 25, Reissue Revised Statutes of Nebraska, as amended, "Act") and the Lancaster County Correctional Facility Joint Public Agency Agreement dated September 9, 2008 (the "JPA Agreement") between The County of Lancaster, Nebraska and The City of Lincoln, Nebraska, has duly authorized the issuance of \$64,390,000 principal amount of its Correctional Facility Bonds, Series 2009, dated the date of delivery (February 12, 2009) (the "Bonds") pursuant to a Resolution (the "Resolution") passed by its Board (the "Board") and requires the services of a bond registrar and paying agent for the Bonds.

B. The Registrar is a national banking association duly organized and validly existing under the laws of the United States of America and is willing to provide services as bond registrar and paying agent pursuant to the terms of this Agreement and the Resolution in consideration for the compensation described herein.

**NOW, THEREFORE**, the Agency and the Registrar do hereby covenant and agree as follows:

**Section 1.** The Registrar agrees that it shall maintain on behalf of the Agency books of record in which the registered owners of the Bonds and their registered addresses shall be duly recorded.

**Section 2.** The Registrar agrees that it shall serve as paying agent for the Agency for the payment of principal and interest falling due on the Bonds. The Agency shall, not later than the business day prior to each principal and/or interest payment date on the Bonds, deposit with the Registrar an amount sufficient to make such payment and the Registrar shall apply such deposit by mailing a check or draft to each of the registered owners of the Bonds as shown on the books of record maintained pursuant to **Section 1** hereof for the appropriate amount of interest due on each respective Bond and pay principal and interest upon presentation of each respective Bond in accordance with the terms of the Resolution. The provisions of this **Section 2** are subject to the provisions of **Section 15** hereof with respect to the Bonds while they are held in book-entry form.

**Section 3.** The Registrar hereby accepts and agrees to perform all duties directed by the Resolution to be performed by the "Registrar" as defined in the Resolution and the terms of the Resolution are hereby incorporated by reference. The Registrar acknowledges receipt of a copy of the Resolution. The Registrar acknowledges that the Agency may make deposits of money or securities as provided in **Section 701** of the Resolution. In the event of any such deposit, the compensation provided for under this Agreement shall not be altered or abated.

**Section 4.** The Agency shall furnish to the Registrar a sufficient supply of forms in blank of the Bonds to be issued upon transfer or partial redemption, signed by the facsimile signatures of the Chair and the Secretary and shall renew such supply pursuant to **Section 205** of the Resolution upon request of the Registrar.

**Section 5.** The Registrar shall make the initial registration of the Bonds upon written directions from the original purchaser thereof designated in the Resolution.

**Section 6.** Transfer of the Bonds shall be registered and new Bonds issued in replacement thereof pursuant to the limitations prescribed in the Resolution, upon surrender to the Registrar of any outstanding Bond in form deemed by the Registrar properly endorsed for transfer with all necessary signatures guaranteed in such manner and form as the Registrar may require by a signature guarantor reasonably believed by Registrar to be responsible, accompanied by such assurances as the Registrar shall deem necessary or appropriate to evidence the genuineness and effectiveness of each necessary signature and, if deemed appropriate by the Registrar, satisfactory evidence of compliance with all applicable laws relating to the collection of taxes. In registering transfer of the Bonds, the Registrar may rely upon the Uniform Commercial Code or any other statutes which in the opinion of counsel protect the Registrar and the Agency in not requiring complete documentation, in registering bonds without inquiry into adverse claims, in delaying registration for purposes of such inquiry or in refusing registration where in Registrar's judgment an adverse claim requires such refusal.

**Section 7.** Replacement Bonds for any of the Bonds damaged, lost or stolen shall be issued by the Registrar upon receipt of documentation complying with the requirements of Sections 10-127 to 10-130, inclusive, Reissue Revised Statutes of Nebraska, as amended, acceptable to the Registrar.

**Section 8.** As provided by law, the books of registration maintained by the Registrar shall not be deemed public records and shall be available for inspection solely pursuant to a court order or a subpoena of any governmental agency having jurisdiction to issue such subpoena.

**Section 9.** At least annually the Registrar shall give a report to the Agency accounting for all funds received and disbursements made. The Registrar shall maintain customary records in connection with its exercise of its duties under this Agreement and the Resolution.

**Section 10.** At any time the Registrar may apply to the Agency for instructions and may consult with the Agency's attorney or the Registrar's own counsel in respect to any matter arising in connection with its duties under this Agreement and the Resolution and the Registrar shall not be liable or accountable for any action taken or omitted by it in good faith in accordance with such instructions or with the opinion of such counsel. The Registrar may rely on any paper or document reasonably believed by it to be genuine and to have been signed by the proper person or persons.

**Section 11.** The Agency hereby agrees to pay any expenses reasonably incurred by the Registrar in connection with the performance of its duties under this Agreement and the Resolution, including counsel fees, and in addition shall pay to the Registrar the compensation for its services as set forth on **Exhibit A** attached hereto.

**Section 12.** Any corporation or association into which the Registrar may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, shall, ipso facto, be and become successor Registrar hereunder and vested with all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instruments or any

further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

**Section 13.** The Agency shall have the right to remove the Registrar only in the event of a material breach of the Registrar's duties under this Agreement and the Resolution. In such event the Board shall have the right to designate a successor and the Registrar hereby agrees that it shall turn over all of its records with respect to the Bonds to any such successor upon request by the Agency.

**Section 14.** This Agreement shall terminate when the Bonds have been paid in full. The Registrar shall have no duties with respect to the investment of money paid to it under this Agreement and the Resolution. Any deposit of such money shall be either fully insured by insurance of the Federal Deposit Insurance Corporation or fully secured in the manner required by law for deposit of funds of the Agency. Any such deposit may be in an account maintained with the Registrar or an affiliate of the Registrar.

**Section 15.** Under the terms of the Resolution, the Bonds are to be issued initially in book-entry form using the services of The Depository Trust Company (the "**Depository**"). All of the Bonds shall be registered in the name of Cede & Co., as nominee for the Depository, with one typewritten bond for each separately stated maturity. The Registrar shall pay semiannual interest for any Bond registered as of each Record Date in the name of Cede & Co. by wire transfer to the Depository in accordance with its procedures as in effect from time to time. The Registrar agrees that it will execute and observe the terms and conditions of the Letter of Representations (the "**Letter of Representations**") as authorized by the Resolution. The Letter of Representations may be in the form of separate undertakings executed by the Registrar and the Agency in connection with services provided by the Depository.

The Registrar and the Agency may treat the Depository (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for the purposes of payment of the principal of or interest on the Bonds, selecting the Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to registered owners under the Resolution, registering the transfer of Bonds, obtaining any consent or other action to be taken by registered owners and for all other purposes whatsoever, and neither the Registrar nor the Agency shall be affected by any notice to the contrary. Neither the Registrar nor the Agency shall have any responsibility or obligation to any participant of the Depository ("**Participant**"), any person claiming a beneficial ownership interest in the Bonds under or through the Depository or any Participant, or any other person which is not shown on the registration books of the Registrar as being a registered owner, with respect to the accuracy of any records maintained by the Depository or any Participant; the payment by the Depository or any Participant of any amount in respect of the principal or redemption price of or interest on the Bonds; any notice which is permitted or required to be given to registered owners under the Resolution; the selection by the Depository or any Participant of any person to receive payment in the event of a partial redemption of the Bonds; or any consent given or other action taken by the Depository as registered owner. The Registrar shall make all payments of the principal or redemption price of and interest on the Bonds only to the Depository, and all such payments shall be valid and effective to fully satisfy and discharge the Agency's obligations with respect to the principal or redemption price of and interest on the Bonds to the extent of the sum or sums so paid. Except under the conditions directed below, no person other than the Depository shall receive an authenticated Bond for each separate stated maturity evidencing the obligation of the Agency to make payments of principal or redemption price of and interest pursuant to the Resolution. Upon delivery by the Depository to the Registrar of written notice to the effect that the Depository has determined to substitute a new nominee in the place of Cede & Co., and subject to the provisions in the Resolution with respect to Record Dates, the term "Cede & Co." in this Agreement shall refer to such new nominee of the Depository. If the Depository gives notice to the Agency or the Registrar pursuant to the Letter of Representations that it will discontinue providing its services as securities depository with respect to the

Bonds, the Agency shall either appoint a successor securities depository or terminate the book-entry system for the Bonds under the following conditions:

(a) Any successor securities depository must be a clearing agency registered with the Securities and Exchange Commission pursuant to Section 17A of the Securities Exchange Act of 1934 and must enter into an agreement with the Agency and the Registrar agreeing to act as the depository and clearing agency for all the Bonds. After such agreement has become effective, the Depository shall present the Bonds for registration of transfer in accordance with **Section 205** of the Resolution and the Registrar shall register them in the name of the successor securities depository or its nominee. If a successor securities depository has not accepted such position prior to the effective date of the Depository's termination of its services, the book-entry system shall automatically terminate, except as provided below in this **Section 15**.

(b) If the Agency elects to terminate the book-entry system for the Bonds, it shall so notify the Registrar in writing. Thereafter, upon presentation of the Bonds, or any of them, by the Depository or its nominee to the Registrar for registration of transfer in accordance with **Section 205** of the Resolution, the Registrar shall register the transfer in accordance with such **Section 205** of the Resolution and all provisions of this **Section 15** shall immediately cease to be in effect, except as provided below.

The Agency may elect to terminate the book-entry system for the Bonds at any time by giving written notice to the Depository and the Registrar. On the effective date of such termination, the provisions of this **Section 15** shall cease to be in effect, except that the Registrar shall continue to comply with applicable provisions of the Letter of Representations with respect to Bonds as to which the Depository remains the registered owner. After such termination, the Registrar shall, upon presentation of Bonds by the Depository or its nominee for registration of transfer or exchange in accordance with **Section 205** of the Resolution make such transfer or exchange in accordance with such **Section 205**. Upon the appointment of a successor securities depository or termination of the book-entry system, the Registrar shall give notice of such event to the registered owners of Bonds (through the Depository) which notice shall state either (1) the name and address of the successor securities depository or (2) that Bonds may now be obtained by the beneficial owners of the Bonds, or their nominees, upon proper instructions being given to the Depository by the relevant Participant and compliance by the Depository with the provisions of the Resolution regarding registration of transfers. Notwithstanding any other provision of this Agreement to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of the Depository (or any successor nominee), all payments with respect to the principal or redemption price of and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, to the Depository as provided in the Letter of Representations. In connection with any notice or other communication to be provided to registered owners to the Resolution by the Agency or the Registrar with respect to any consent or other action to be taken by registered owners, the Agency or the Registrar, as the case may be, shall establish a record date for such consent or other action and give the Depository notice of such record date not less than 15 calendar days in advance of such record date to the extent possible.

**Section 16.** If any one or more of the covenants or agreements to be performed by either the Agency or the Registrar shall be determined by a court of competent jurisdiction to be unenforceable, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements contained herein and shall in no way affect the validity of the remaining provisions of this Agreement.

**Section 17.** This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.



**Section 18.** This Agreement shall be governed by and construed in accordance with the laws of the State of Nebraska.

**IN WITNESS WHEREOF**, the Agency and the Registrar have each caused this Agreement to be executed by their duly authorized officers.

**DATED:** February 12, 2009

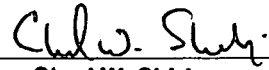
**LANCASTER COUNTY CORRECTIONAL  
FACILITIES JOINT PUBLIC AGENCY**

ATTEST:

By:  \_\_\_\_\_  
Secretary

By:  \_\_\_\_\_  
Chair

**WELLS FARGO BANK, NATIONAL  
ASSOCIATION**

By:  \_\_\_\_\_  
Title: **Chad W. Shirk** \_\_\_\_\_  
**Vice President**



**\$64,390,000**  
**LANCASTER COUNTY CORRECTIONAL**  
**FACILITY JOINT PUBLIC AGENCY**  
**CORRECTIONAL FACILITY BONDS**  
**SERIES 2009**

**Wells Fargo Bank, National Association**  
**Registrar & Paying Agent Services**

**SCHEDULE OF FEES**

**INITIAL FEES: (PAID AT CLOSING)**

**ACCEPTANCE AND SET-UP** (A One-Time fee collected at closing)

Includes review and editing of documents; receipt of unissued bonds (if any); authentication, verification and delivery of issued bonds; establishing trust accounts, records and control systems; execution of governing documents and attending the closing thereof; receipt, deposit and disbursement of Bond proceeds; and other miscellaneous duties (as applicable).

Wells Fargo Bank Initial Fee .....\$350.00

**TRUSTEE'S OUTSIDE LEGAL COUNSEL**

Wells Fargo anticipates *no charge* for Trustee's ordinary up-front legal fees. Wells Fargo will request recovery of extraordinary legal fees only if such extraordinary legal services are necessary to resolve significant legal issues.

Reimbursement per counsel's statement

**EXTRAORDINARY OUT-OF-POCKET**

Includes extraordinary expenses associated with attending bond closing; authentication and delivery of bonds; mailing costs; etc. (if any).

Reimbursement at cost

**ANNUAL FEES: (BILLED ANNUALLY IN ADVANCE)**

**REGISTRAR/PAYING AGENT**

For maintenance of registered bondholder accounts; legal transfers or placing stop transfers; responding to bondholder inquiries; interest and principal payments; providing audit data; and preparing and filing tax information.

Paying Agent fee for each Series.....\$350.00

**INVESTMENTS (AS DIRECTED)**..... No direct administration fee will be charged for  
.....investment of funds in any Wells Fargo "sweep" fund.

**TRUSTEE'S OUTSIDE LEGAL COUNSEL**

Wells Fargo anticipates *no charge* for Trustee's annual administration legal fees. Wells Fargo will request recovery of extraordinary legal fees only if such extraordinary legal services are necessary to resolve significant legal issues (i.e. default administration, post closing document amendments, etc.)

Reimbursement per counsel's statement

**EXTRAORDINARY SERVICES**

For any extraordinary services such as redemptions, tender processing, partial security releases, default administration, conversion to a different payment mode, supplements and amendments to the trust documents, etc., a special charge may be made commensurate with the character of the services, time and responsibility involved

**THIS SCHEDULE IS SUBJECT TO PERIODIC REVIEW AND MODIFICATION**

This proposal is based upon the assumptions which pertain to the responsibilities and risks involved in Wells Fargo undertaking the role(s) of Registrar/Paying Agent. These assumptions are based on information provided to us as of the date of this proposal. Our proposal is subject to review and acceptance of the final documents. Should any of the assumptions, duties or responsibilities change, we reserve the right to affirm, modify or rescind our proposal.

## CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the “Disclosure Certificate”) is executed and delivered by the LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY (the “Agency”).

### RECITALS

1. This Disclosure Certificate is executed and delivered in connection with the issuance by the Agency of \$64,390,000 principal amount of its Building Bonds, Series 2009, dated the date of delivery (February 12, 2009) thereof (the “Bonds”), pursuant to a resolution adopted December 30, 2008 (the “Resolution”).

2. The Agency is executing and delivering this Disclosure Certificate for the benefit of the Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule. The Agency is the only “obligated person” with responsibility for continuing disclosure under the Rule.

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

**Section 1. Definitions.** In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 1, the following capitalized terms have the following meanings:

“**Annual Report**” means any annual report provided by the Agency pursuant to, and as described in, Section 2 and Section 3 of this Disclosure Certificate.

“**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.

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

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

“**Disclosure Representative**” means the Budget Director of the County, or his or her designee, or such other officer or employee as the County shall designate in writing to the Registrar from time to time.

“**Dissemination Agent**” means the Disclosure Representative, acting in his capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Agency that has filed with the Agency a written acceptance of such designation.

“**EMMA**” means the Electronic Municipal Market Access system for municipal securities disclosures.

“**Material Events**” means any of the events listed in Section 4(a) of this Disclosure Certificate.

“**MSRB**” means the Municipal Securities Rulemaking Board.

“**National Repository**” means any nationally recognized municipal securities information repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth in **Exhibit A** attached hereto. Annual Reports and notices of Material Events are not required to be filed with the National Repositories on or after July 1, 2009.

“**Participating Underwriter**” means any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

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

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

**Section 2. Provision of Annual Reports.** The Agency shall, or shall cause the Dissemination Agent to, not later March 1 following the end of the Agency’s fiscal year (currently June 30), commencing with the report for the 2007-2008 fiscal year, provide to each Repository an Annual Report that is consistent with the requirements of **Section 3** of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a single package, and may include by reference other information as provided in **Section 3** of this Disclosure Certificate; however, the audited financial statements of the Agency, the City or the County may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Agency’s fiscal year changes, it shall give notice of the change in the same manner as for a Material Event under **Section 4(d)**.

**Section 3. Content of Annual Reports.** The Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Agency, the City and the County for the prior fiscal year, prepared on the budgetary basis of accounting which is a prescribed, comprehensive basis of accounting other than generally accepted accounting principles. If the audited financial statements of the Agency, the City or the County are not available by the time the Annual Report is required to be filed pursuant to **Section 2(a)**, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The operating data of (a) the County updated for the fiscal year then ended in substantially the scope and form contained in “APPENDIX A - THE COUNTY OF LANCASTER, NEBRASKA – GENERAL, ECONOMIC AND FINANCIAL INFORMATION” in the Official Statement, (b) the City updated for the fiscal year then ended in substantially the scope and form contained in “APPENDIX C - THE CITY OF LINCOLN, NEBRASKA – GENERAL, ECONOMIC AND FINANCIAL INFORMATION” in the Official Statement.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Agency, the County, the City or related public entities, which have been submitted to each Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB (via EMMA if

submitted on or after July 1, 2009). The Agency shall clearly identify each such other document so included by reference.

**Section 4. Reporting of Material Events.**

(a) Pursuant to the provisions of this **Section 4**, the Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

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

(b) The Dissemination Agent shall, promptly after obtaining actual knowledge of the occurrence of any event that he believes may constitute a Material Event, contact the Agency, inform the Agency of the event, and request that the Agency promptly determine whether to report the event pursuant to **Section 4(d)**. If in response to a request under this **Section 4(b)**, the Agency determines that the event would not be material under applicable federal securities laws, the Disclosure Representative shall so notify the Dissemination Agency in writing and instruct the Dissemination Agent to not report the occurrence pursuant to **Section 4(d)**.

(c) Whenever the Agency obtains knowledge of the occurrence of a Material Event, because of a notice received from the Dissemination Agent pursuant to **Section 4(b)** or otherwise, the Agency shall promptly instruct the Dissemination Agent in writing to report the occurrence pursuant to **Section 4(d)**.

(d) If the Dissemination Agent receives written instructions from the Agency to report the occurrence of a Material Event, the Dissemination Agent shall promptly file a notice of such occurrence with each Repository. Notwithstanding the foregoing, notice of those Material Events described in **Section 4(a)(iv)** and **Section 4(a)(v)** do not need to be given under this **Section 3(d)** any earlier than notice is given to the registered owners of affected Bonds pursuant to the Resolution.

**Section 5. Termination of Reporting Obligation.** The Agency's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Agency shall give notice of such termination in the same manner as for a Material Event under **Section 4(d)**.

**Section 6. Dissemination Agent, Other Designated Agents.**

(a) The Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign as dissemination agent hereunder at any time upon 30-days prior written notice to the

Agency. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Agency pursuant to this Disclosure Certificate.

(b) The Agency may, from time to time, appoint or designate one or more agents (each, a “designated agent”) to submit Annual Reports, Material Event notices, and other notices or reports with the MSRB via EMMA. The Agency hereby appoints the Dissemination Agent as a designated agent of the Agency solely for the purpose of submitting Agency-approved Annual Reports, Material Event notices, and other notices or reports to the MSRB via EMMA. The Agency revoke this designation at any time upon written notice to the designated agent, and may designate one or more additional designated agents for purposes of this **Section 6(b)** from time to time by written designation to the newly appointed designated agent.

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

(a) If the amendment or waiver relates to the provisions of **Section 2(a)**, **Section 3** or **Section 4** hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

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

(c) The amendment or waiver either (1) is approved by the Beneficial Owners of the Bonds in the same manner as provided for amendments to the Resolution with the consent of the Beneficial Owners, or (2) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Agency shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Agency. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (1) notice of such change shall be given in the same manner as for a Material Event described in **Section 4** hereof, and (2) the audited financial statements for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

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

**Section 9. Default.** In the event of a failure of the Agency or the Dissemination Agent to comply with any provision of this Disclosure Certificate, any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Agency or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Agency or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

**Section 10. Duties and Liabilities of Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Agency agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities that it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Agency under this **Section 10** shall survive resignation or removal of the Dissemination Agent and the payment of the Bonds. The Agency shall pay the fees, charges and expenses of the Dissemination Agent in connection with its administration of this Disclosure Certificate.

**Section 11. Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the Agency, the County, the City, the Dissemination Agent, the Participating Underwriter, and the Beneficial Owners of the Bonds, and will create no rights in any other person or entity.

**Section 12. Severability.** If any provision in this Disclosure Certificate, the Resolution or the Bonds shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

**Section 14. Counterparts.** This Disclosure Certificate may be executed in several counterparts, each of which will be an original and all of which will constitute but one and the same instrument. Copies, facsimiles, electronic files and other reproductions of original documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

**Section 15. Electronic Transactions.** The parties agree that the arrangement described herein may be conducted and related documents may be stored by electronic means.

**Section 16. Governing Law.** This Disclosure Certificate shall be governed by and construed in accordance with the laws of the State of Nebraska.

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



DATED: February 12, 2009

LANCASTER COUNTY CORRECTIONAL  
FACILITY JOINT PUBLIC AGENCY

BY: *Dennis Stein*  
Chair

**EXHIBIT A**

**NATIONALLY RECOGNIZED MUNICIPAL  
SECURITIES INFORMATION REPOSITORIES**

**Bloomberg Municipal Repository**

Bloomberg Business Park  
100 Business Park Drive  
Skillman, New Jersey 08558-3629  
Phone: (609) 279-3225  
Fax: (609) 279-5962 or (800) 395-9403  
E-Mail: [Munis@Bloomberg.com](mailto:Munis@Bloomberg.com)

**Standard & Poor's Securities Evaluations, Inc.**

Repository Service  
55 Water Street, 45<sup>th</sup> Floor  
New York, New York 10041-0003  
Phone: (212) 438-4595  
Fax: (212) 438-3975  
E-mail: [nrmsir\\_repository@sandp.com](mailto:nrmsir_repository@sandp.com)

**FT Interactive Data**

Attn: NRMSIR  
100 William Street, 15<sup>th</sup> Floor  
New York, New York 10038  
Phone: (212) 771-6999 or (800) 689-8466  
Fax: (212) 771-7390 (Secondary Market  
Information)  
Fax: (212) 771-7391 (Primary Market  
Information)  
E-Mail: [NRMSIR@ftid.com](mailto:NRMSIR@ftid.com)

**DPC Data Inc.**

One Executive Drive  
Fort Lee, New Jersey 07024  
Phone: (201) 346-0701  
Fax: (201) 947-0107  
E-Mail: [nrmsir@dpccdata.com](mailto:nrmsir@dpccdata.com)

**MUNICIPAL SECURITIES RULEMAKING BOARD  
(MSRB)**

**For all filings on or after July 1, 2009:**

Via EMMA  
[www.emma.msrb.org](http://www.emma.msrb.org)

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**FEDERAL TAX CERTIFICATE**

**Dated February 12, 2009**

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**LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY  
IN THE STATE OF NEBRASKA**

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**\$64,390,000  
CORRECTIONAL FACILITY BONDS  
SERIES 2009**

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**FEDERAL TAX CERTIFICATE**

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**Exhibit A - Debt Service Schedule and Proof of Bond Yield**

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**Exhibit C - Description of Property Comprising the Financed Facility**

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## FEDERAL TAX CERTIFICATE

This FEDERAL TAX CERTIFICATE (the "Tax Certificate"), dated February 12, 2009, is executed by LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY IN THE STATE OF NEBRASKA, a joint public agency and political subdivision duly organized and validly existing under the laws of the State of Nebraska (the "Agency").

### RECITALS

1. This Tax Certificate is executed and delivered in connection with the issuance by the Agency of \$64,390,000 principal amount of Correctional Facility Bonds, Series 2009 (the "Bonds"), under a Bond Resolution as originally adopted by Board of the Agency on December 20, 2008, as amended by the Amendment to Bond Resolution adopted by the Agency on January 26, 2009 (collectively, the "Resolution"), for the purposes described in this Tax Certificate and in the Resolution.

2. The Internal Revenue Code of 1986, as amended (the "Code"), and the applicable Regulations and rulings issued by the U.S. Treasury Department (the "Regulations"), impose certain limitations on the uses and investment of the Bond proceeds and of certain other money related to the Bonds and set forth the conditions under which the interest on the Bonds will be excluded from gross income for federal income tax purposes.

3. The Agency is executing this Tax Certificate in order to set forth certain facts, covenants, representations, and expectations relating to the use of Bond proceeds and the property financed or refinanced with those proceeds and the investment of the Bond proceeds and of certain other related money, in order to establish and maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes and to provide guidance for complying with the arbitrage rebate provisions of the Code.

NOW, THEREFORE, in consideration of the foregoing and the representations, covenants and agreements set forth in this Tax Certificate, the Agency represents, covenants and agrees as follows:

### ARTICLE I

#### DEFINITIONS

**Section 1.1. Definitions of Words and Terms.** Except as otherwise provided in this Tax Certificate or unless the context otherwise requires, capitalized words and terms used in this Tax Certificate have the same meanings as set forth in the Resolution, and certain other words and phrases have the meanings assigned in Sections 103 and 141 to 150, inclusive, of the Code and the Regulations. The following words and terms used in this Tax Certificate have the following meanings:

"Adjusted Gross Proceeds" means the Gross Proceeds of the Bonds reduced by amounts (a) in a Bona Fide Debt Service Fund or a reasonably required reserve or replacement fund, (b) that as of the Issue Date are not expected to be Gross Proceeds, but which arise after the end of the applicable spending period, and (c) representing grant repayments or sale or Investment proceeds of any purpose Investment.

**“Agency”** means Lancaster County Correctional Facility Joint Public Agency and its successors and assigns, or any body, agency or instrumentality of the State succeeding to or charged with the powers, duties and functions of the Agency.

**“Available Construction Proceeds”** means the sale proceeds of the Bonds, increased by (a) Investment earnings on the sale proceeds, (b) earnings on amounts in a reasonably required reserve or replacement fund allocable to the Bonds but not funded from the Bonds, and (c) earnings on such earnings, reduced by sale proceeds (1) in any reasonably required reserve fund or (2) used to pay issuance costs of the Bonds.

**“Bona Fide Debt Service Fund”** means a fund, which may include Bond proceeds, that (a) is used primarily to achieve a proper matching of revenues with principal and interest payments within each Bond Year; and (b) is depleted at least once each Bond Year, except for a reasonable carryover amount not to exceed the greater of (1) the earnings on the fund for the immediately preceding Bond Year, or (2) one-twelfth of the principal and interest payments on the Bonds for the immediately preceding Bond Year.

**“Bond”** or **“Bonds”** means any Bond or Bonds described in the recitals, authenticated and delivered under the Resolution.

**“Bond Counsel”** means Gilmore & Bell, P.C., or other firm of nationally recognized bond counsel acceptable to the Agency.

**“Bond Year”** means each one-year period (or shorter period for the first Bond Year) ending December 1, or another one-year period selected by the Agency.

**“Code”** means the Internal Revenue Code of 1986, as amended.

**“Computation Date”** means each date on which arbitrage rebate for the Bonds is computed. The Agency may treat any date as a Computation Date, subject to the following limits:

- (a) the first rebate installment payment must be made for a Computation Date not later than 5 years after the Issue Date;
- (b) each subsequent rebate installment payment must be made for a Computation Date not later than five years after the previous Computation Date for which an installment payment was made; and
- (c) the date the last Bond is discharged is the final Computation Date.

The Agency selects December 1, 2013 as the first Computation Date but reserves the right to select a different date consistent with the Regulations.

**“Financed Facility”** means any of the property financed or refinanced with the proceeds of the Bonds as described on **Exhibit C**.

**“Gross Proceeds”** means (a) sale proceeds (any amounts actually or constructively received by the Agency from the sale of the Bonds, including amounts used to pay underwriting discount or fees, but excluding pre-issuance accrued interest), (b) Investment proceeds (any amounts received from investing sale proceeds or other Investment proceeds), (c) any amounts held in a sinking fund for the Bonds, (d) any

amounts held in a pledged fund or reserve fund for the Bonds, and (e) any other replacement proceeds. Specifically, Gross Proceeds includes (but is not limited) to amounts held in the following funds and accounts:

- (1) Construction Fund
- (2) Debt Service Fund
- (3) Rebate Fund (to the extent funded with sale proceeds or Investment proceeds of the Bonds).

**“Guaranteed Investment Contract”** is any Investment with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate, including any agreement to supply Investments on two or more future dates (*e.g.*, a forward supply contract).

**“Investment”** means any security, obligation, annuity contract or other Investment-type property that is purchased directly with, or otherwise allocated to, Gross Proceeds, including the Investment element of an interest rate cap agreement. Such term does not include a tax-exempt bond, except for “specified private activity bonds” as such term is defined in Section 57(a)(5)(C) of the Code, but does include the Investment element of most interest rate caps.

**“IRS”** means the United States Internal Revenue Service.

**“Issue Date”** means February 12, 2009.

**“Management Agreement”** means a legal agreement defined in Section 1.141-3(b) of the Regulations as a management, service, or incentive payment contract with an entity that provides services involving all or a portion of any function of the Financed Facility, such as a contract to manage the entire Financed Facility or a portion of the Financed Facility. Contracts for services that are solely incidental to the primary governmental function of the Financed Facility (for example, contracts for janitorial, office equipment repair, billing, or similar services); however, are not treated as Management Agreements.

**“Measurement Period”** means, with respect to each item of property financed as part of the Financed Facility, the period beginning on the later of (a) the Issue Date or (b) the date the property is placed in service and ending on or the earlier of (1) the final maturity date of the Bonds or (2) the expected economic useful life of the property

**“Minor Portion”** means the lesser of \$100,000 or 5% of the sale proceeds of the Bonds.

**“Net Proceeds”** means the sale proceeds of the Bonds (excluding pre-issuance accrued interest), less any proceeds deposited in a reasonably required reserve or replacement fund, plus all Investment earnings on such sale proceeds.

**“Non-Qualified Use”** means use of Bond proceeds or the Financed Facility in a trade or business carried on by any Non-Qualified User. The rules set out in Section 1.141-3 of the Regulations determine whether Bond proceeds or the Financed Facility are “used” in a trade or business. Generally, ownership, a lease, or any other use that grants a Non-Qualified User a special legal right or entitlement with respect to the Financed Facility, will constitute use under Section 1.141-3 of the Regulations.

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



**“Opinion of Bond Counsel”** means the written opinion of Gilmore & Bell, P.C. or other nationally recognized firm of bond counsel. Unless otherwise specifically noted herein an Opinion of Bond Counsel must conclude that the action or proposed action or the failure to act or proposed failure to act for which the opinion is required will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes.

**“Owner”** means (a) the registered owner of any Bond and (b) any Person which (1) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond (including persons holding a Bond through nominees, depositories or other intermediaries), or (2) is treated as the owner of any Bond for federal income tax purposes.

**“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.

**“Proposed Regulations”** means the proposed arbitrage regulations REG 106143-07 (published at 72 Fed. Reg. 54606 (Sept. 26, 2007)).

**“Qualified Use Agreement”** means any of the following:

(a) A lease or other short-term use by members of the general public who use the Financed Facility on a short-term basis in the ordinary course of the Agency’s governmental purposes.

(b) Agreements with Qualified Users or Non-Qualified Users to use all or a portion of the Financed Facility for a period up to 200 days in length pursuant to an arrangement whereby (1) the use of the Financed Facility under the same or similar arrangements is predominantly by natural persons who are not engaged in a trade or business and (2) the compensation for the use is determined based on generally applicable, fair market value rates that are in effect at the time the agreement is entered into or renewed. Any Qualified User or Non-Qualified User using all or any portion of the Financed Facility under this type of arrangement may have a right of first refusal to renew the agreement at rates generally in effect at the time of the renewal.

(c) Agreements with Qualified Users or Non-Qualified Users to use all or a portion of the Financed Facility for a period up to 100 days in length pursuant to arrangements whereby (1) the use of the property by the person would be general public use but for the fact that generally applicable and uniformly applied rates are not reasonably available to natural persons not engaged in a trade or business, (2) the compensation for the use under the arrangement is determined based on applicable, fair market value rates that are in effect at the time the agreement is entered into or renewed, and (3) the Financed Facility was not constructed for a principal purpose of providing the property for use by that Qualified User or Non-Qualified User. Any Qualified User or Non-Qualified User using all or any portion of the Financed Facility under this type of arrangement may have a right of first refusal to renew the agreement at rates generally in effect at the time of the renewal.

(d) Agreements with Qualified Users or Non-Qualified Users to use all or a portion of the Financed Facility for a period up to 50 days in length pursuant to a negotiated arm’s-length arrangement at fair market value so long as the Financed Facility was not constructed for a principal purpose of providing the property for use by that person.

**“Qualified User”** means a State, territory, possession of the United States, the District of Columbia, or any political subdivision thereof, or any instrumentality of such entity, but it does not include the United States or any agency or instrumentality of the United States.

**“Reasonable Retainage”** means Gross Proceeds retained by the Agency for reasonable business purposes, such as to ensure or promote compliance with a construction contract; provided that such amount may not exceed (a) for purposes of the 18-month spending test, 5% of net sale proceeds of the Bonds on the date 18 months after the Issue Date, or (b) for purposes of the 2-year spending test, 5% of the Available Construction Proceeds as of the end of the 2-year spending period.

**“Rebate Analyst”** means Chris Berens, CPA, P.C. or any successor Rebate Analyst selected by pursuant to this Tax Certificate.

**“Regulations”** means all Regulations issued by the U.S. Treasury Department to implement the provisions of Section 103 and 141 to 150, inclusive, and applicable to the Bonds.

**“Resolution”** means the Bond Resolution as originally passed by the Board of the Agency on December 30, 2008, as amended by the Amendment to Bond Resolution adopted by the Agency on January 26, 2009.

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

**“Tax Certificate”** means this Federal Tax Certificate as it may from time to time be amended and supplemented in accordance with its terms.

**“Transcript”** means the Transcript of Proceedings relating to the authorization and issuance of the Bonds.

**“Underwriter”** means Ameritas Investment Corp., underwriter of the Bonds.

**“Yield”** means Yield on the Bonds, computed under Section 1.148-4 of the Regulations, and Yield on an Investment, computed under Section 1.148-5 of the Regulations.

## ARTICLE II

### GENERAL REPRESENTATIONS AND COVENANTS

**Section 2.1. Representations and Covenants of the Agency.** The Agency represents and covenants as follows:

(a) **Organization and Authority.** The Agency (1) is a joint public agency and political subdivision organized and existing under the laws of the State, and (2) has lawful power and authority to issue the Bonds for the purposes set forth in the Resolution, to adopt the Resolution and to enter into, execute and deliver the Bonds and this Tax Certificate and to carry out its obligations under this Tax Certificate and under such documents, and (3) by all necessary action has duly (A) passed the Resolution and (B) authorized its officers to execute and deliver the Bonds and this Tax Certificate.

(b) **Tax-Exempt Status of Bonds–General Covenants.** The Agency (to the extent within its power or direction) will not use any money on deposit in any fund or account maintained in connection with the Bonds, whether or not such money was derived from the proceeds of the sale of the Bonds or from any other source, in a manner that would cause the Bonds to be “arbitrage bonds,” within the meaning of Section 148 of the Code, and will not (to the extent within its power or direction) otherwise

use or permit the use of any Bond proceeds or any other funds of the Agency, directly or indirectly, in any manner, or take or permit to be taken any other action or actions, that would cause interest on the Bonds to be included in gross income for federal income tax purposes.

(c) **Governmental Obligations–Use of Proceeds.** Throughout the Measurement Period all of the Financed Facility has been and is expected to be owned by the Agency or another Governmental Person. Throughout the Measurement Period no portion of the Financed Facility has been or is expected to be used in a Non-Qualified Use. Throughout the Measurement Period the Agency will not permit any Non-Qualified Use of the Financed Facility without first obtaining an Opinion of Bond Counsel.

(d) **Governmental Obligations–Private Security or Payment.** As of the Issue Date the Agency expects that none of the principal and interest on the Bonds will be and has not been (under the terms of the Bonds or any underlying arrangement) directly or indirectly:

(1) secured by (A) any interest in property used or to be used for a private business use, or (B) any interest in payments in respect of such property; or

(2) derived from payments (whether or not such payments are made to the Agency) in respect of property, or borrowed money, used or to be used for a private business use.

For purposes of the forgoing, taxes of general application, including payments in lieu of taxes, are not treated as private payments or as private security. The Agency will not permit any private security or payment with respect to the Bonds without first obtaining an Opinion of Bond Counsel.

(e) **No Private Loan.** Not more than 5% of the net proceeds of the Bonds will be loaned directly or indirectly to any Non-Qualified User.

(f) **Management Agreements.** As of the Issue Date the Agency has no Management Agreements with Non-Qualified Users. During the Measurement Period the Agency will not enter into or renew any Management Agreement with any Non-Qualified User without first obtaining an Opinion of Bond Counsel.

(g) **Leases.** As of the Issue Date the Agency has not entered into any leases of any portion of the Financed Facility other than Qualified Use Agreements. During the Measurement Period the Agency will not enter into or renew any lease or similar agreement or arrangement other than a Qualified Use Agreement without first obtaining an Opinion of Bond Counsel.

(h) **Limit on Maturity of Bonds.** A list of the assets included in the Financed Facility and a computation of the “average reasonably expected economic life” is attached to this Tax Certificate as **Exhibit C**. Based on this computation, the “average maturity” of the Bonds of 11.462 years, as computed by Bond Counsel, does not exceed 120% of the average reasonably expected economic life of the Financed Facility.

(i) **Reimbursement of Expenditures.** No portion of the Net Proceeds of the Bonds will be used to reimburse an expenditure paid by the Agency more than 60 days prior to the Issue Date. The Agency will evidence each allocation of the proceeds of Bonds to an expenditure in writing. No reimbursement allocation will be made for an expenditure made more than three years prior to the date of the reimbursement allocation. In addition no reimbursement allocation will be made more than 18 months following the later of (1) the date of the expenditure or (2) the date the Financed Facility was placed in service.

(j) **Registered Bonds.** The Resolution requires that all of the Bonds will be issued and held in registered form within the meaning of Section 149(a) of the Code.

(k) **Bonds Not Federally Guaranteed.** The Agency will not take any action or permit any action to be taken which would cause any Bond to be federally guaranteed within the meaning of Section 149(b) of the Code.

(l) **IRS Form 8038-G.** Attached as **Exhibit B** is a copy of IRS Form 8038-G (Information Return for Tax-Exempt Governmental Obligations) executed by a representative of the Agency and which is being filed with the Internal Revenue Service in connection with the issuance of the Bonds as required by Section 149(e) of the Code. Bond Counsel prepared Form 8038-G in connection with the issuance of the Bonds. The Agency knows of no inaccuracies in the Form 8038-G prepared by Bond Counsel. The Qualified Users of the proceeds of the Bonds and their EIN numbers are set out on the attachment to IRS Form 8038-G.

(m) **Hedge Bonds.** At least 85% of the net sale proceeds (the sale proceeds of the Bonds less any sale proceeds invested in a reserve fund) of the Bonds will be used to carry out the governmental purpose of the Bonds within three years after the Issue Date, and not more than 50% of the proceeds of the Bonds will be invested in Investments having a substantially guaranteed Yield for four years or more.

(n) **Compliance with Future Tax Requirements.** The Agency understands that the Code and the Regulations may impose new or different restrictions and requirements on the Agency in the future. The Agency will comply with such future restrictions that are necessary to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes.

(o) **Single Issue; No Other Issues.** The Bonds constitute a single “issue” under Section 1.150-1(c) of the Regulations. No other debt obligations of the Agency (1) are being sold within 15 days of the sale of the Bonds, (2) are being sold under the same plan of financing as the Bonds, and (3) are expected to be paid from substantially the same source of funds as the Bonds (disregarding guarantees from unrelated parties, such as bond insurance).

(p) **Interest Rate Swap.** As of the Issue Date the Agency has not entered into an interest rate swap agreement or any other similar arrangement designed to modify its interest rate risk with respect to the Bonds. The Agency will not enter into any such arrangement in the future without obtaining an Opinion of Bond Counsel.

(q) **Guaranteed Investment Contract.** As of the Issue Date of the Bonds, the Agency does not expect to enter into a Guaranteed Investment Contract for any Gross Proceeds of the Bonds. The Agency will be responsible for complying **Section 4.2(d)** if it decides to enter into a Guaranteed Investment Contract at a later date.

(r) **Bank Qualified Tax-Exempt Obligation.** The Bonds are *not* “qualified tax exempt obligations” under Section 265(b)(3) of the Code.

**Section 2.2. Survival of Representations and Covenants.** All representations, covenants and certifications contained in this Tax Certificate or in any certificate or other instrument delivered by the Agency under this Tax Certificate, will survive the execution and delivery of such documents and the issuance of the Bonds, as representations of facts existing as of the date of execution and delivery of the

instruments containing such representations. The foregoing covenants of this Section will remain in full force and effect notwithstanding the defeasance of the Bonds.

### ARTICLE III

#### ARBITRAGE CERTIFICATIONS AND COVENANTS

**Section 3.1. General.** The purpose of this Article is to certify, under Section 1.148-2(b) of the Regulations, the Agency's expectations as to the sources, uses and investment of Bond proceeds and other money, in order to support the Agency's conclusion that the Bonds are not arbitrage bonds. The person executing this Tax Certificate on behalf of the Agency is an officer of the Agency responsible for issuing the Bonds.

**Section 3.2. Reasonable Expectations.** The facts, estimates and expectations set forth in this Article are based upon and in reliance upon the Agency's understanding of the documents and certificates that comprise the Transcript, and the representations, covenants and certifications of the parties contained therein. To the Agency's knowledge, the facts and estimates set forth in this Tax Certificate are accurate, and the expectations of the Agency set forth in this Tax Certificate are reasonable. The Agency has no knowledge that would cause it to believe that the representations, warranties and certifications described in this Tax Certificate are unreasonable or inaccurate or may not be relied upon.

**Section 3.3. Purpose of Financing.** The Bonds are being issued to pay the costs of (a) constructing, equipping and furnishing new correctional facilities, to be owned by the Agency and operated by The County of Lancaster, Nebraska (pursuant to the Joint Public Agency Act (Chapter 13, Article 25, Reissue Revised Statutes of Nebraska, as amended, the "JPA Act"), and (b) issuing the Bonds.

**Section 3.4. Funds and Accounts.** The following funds and accounts have been established under the Resolution:

Construction Fund.  
Debt Service Fund.  
Rebate Fund.

**Section 3.5. Amount and Use of Bond Proceeds and Other Money.**

(a) **Amount of Bond Proceeds.** The total proceeds to be received by the Agency from the sale of the Bonds will be as follows:

Principal Amount	\$64,390,000.00
Net Original Issue Premium	1,112,783.30
Underwriting Discount	(482,925.00)
Accrued Interest	0.00
Total Proceeds Received by Agency	<u>\$65,019,858.30</u>

(b) **Use of Bond Proceeds.** The Bond proceeds are expected to be allocated to expenditures as follows:

(1) The accrued interest will be deposited in the Debt Service Fund and used to pay interest on the Bonds.

(2) \$65,019,858.30 will be deposited in the Construction Fund, of which \$139,000.00 will be used to pay the costs of issuing the Bonds, and the balance will be used to pay costs of the Financed Facility.

(c) **Use of Other Money.** Amounts contributed by the Agency are expected to be deposited in the Construction Fund and used to pay Costs of the Financed Facility.

**Section 3.6. Multipurpose Issue.** Pursuant to Section 1.148-9(h)(3) of the Regulations, the Agency is applying the arbitrage rules to separate financing purposes of the issue that have the same initial temporary period as if they constitute a single issue for purposes of applying the arbitrage rules.

**Section 3.7. No Current or Advance Refunding.** No proceeds of the Bonds will be used more than 90 days following the Issue Date to pay principal or interest on any other debt obligation.

**Section 3.8. Project Completion.** The Agency has incurred, or will incur within 6 months after the Issue Date, a substantial binding obligation to a third party to spend at least 5% of the net sale proceeds of the Bonds on the Financed Facility. The completion of the Financed Facility and the allocation of the net sale proceeds of the Bonds to expenditures will proceed with due diligence. At least 85% of the net sale proceeds of the Bonds will be allocated to expenditures on the Financed Facility within three years after the Issue Date.

**Section 3.9. Sinking Funds.** The Agency is required to make periodic payments in amounts sufficient to pay the principal of and interest on the Bonds. Such payments will be deposited into the Debt Service Fund. Except for the Debt Service Fund, no sinking fund or other similar fund that is expected to be used to pay principal of or interest on the Bonds has been established or is expected to be established. The Debt Service Fund is used primarily to achieve a proper matching of revenues with principal and interest payments on the Bonds within each Bond Year, and the Agency expects that the Debt Service Fund will qualify as a Bona Fide Debt Service Fund.

**Section 3.10. Reserve, Replacement and Pledged Funds.**

(a) **Debt Service Reserve Fund.** No reserve or replacement fund has been established for the Bonds.

(b) **No Other Replacement or Pledged Funds.** None of the Bond proceeds will be used as a substitute for other funds intended or earmarked to pay costs of the Financed Facility, but have instead have been or will be used to acquire higher Yielding Investments. Except for the Debt Service Fund, there are no other funds pledged or committed in a manner that provides a reasonable assurance that such funds would be available for payment of the principal of or interest on the Bonds if the Agency encounters financial difficulty.

**Section 3.11. Purpose Investment Yield.** The proceeds of the Bonds will not be used to purchase an Investment for the purpose of carrying out the governmental purpose of the financing.

**Section 3.12. Offering Prices and Yield on Bonds.**

(a) **Offering Prices.** In the Underwriter's Closing Certificate, the Underwriter has certified that (1) all of the Bonds have been the subject of an initial offering to the public at prices no higher than those shown on the cover page of the official statement, plus accrued interest (the "Offering Prices"), and (2) the Underwriter expects that at least 10% of the Bonds of each maturity will be sold to the public at initial offering prices no higher than said offering prices. The aggregate initial offering price of the Bonds is \$65,502,783.30, plus accrued interest.

(b) **Bond Yield.** Based on the offering prices, the Yield on the Bonds is 4.1826980%, as computed by Bond Counsel as shown on **Exhibit A**. The Agency has not entered into an interest rate swap agreement with respect to any portion of the proceeds of the Bonds.

**Section 3.13. Miscellaneous Arbitrage Matters.**

(a) **No Abusive Arbitrage Device.** The Bonds are not and will not be part of a transaction or series of transactions that has the effect of (1) enabling the Agency to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage, and (2) overburdening the tax-exempt bond market.

(b) **No Over-Issuance.** The sale proceeds of the Bonds, together with expected Investment earnings thereon and other money contributed by the Agency, do not exceed the cost of the governmental purpose of the Bonds as described above.

**Section 3.14. Conclusion.** On the basis of the facts, estimates and circumstances set forth in this Tax Certificate, the Agency does not expect that the Bond proceeds will be used in a manner that would cause any Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code and the Regulations.

**ARTICLE IV**

**ARBITRAGE INVESTMENT AND REBATE INSTRUCTIONS**

**Section 4.1. Temporary Periods/Yield Restriction.** Except as described below, Gross Proceeds must not be invested at a Yield greater than the Yield on the Bonds:

(a) **Construction Fund.** Bond proceeds deposited in the Construction Fund and Investment earnings on such proceeds may be invested without Yield restriction for three years after the Issue Date. If any unspent proceeds remain in the Construction Fund after three years, such amounts may continue to be invested without Yield restriction so long as the Agency pays to the IRS all Yield reduction payments in accordance with Section 1.148-5(c) of the Regulations. These payments are required whether or not the Bonds are exempt from the arbitrage rebate requirements of Section 148 of the Code.

(b) **Debt Service Fund.** To the extent that the Debt Service Fund qualifies as a Bona Fide Debt Service Fund, money in such account may be invested without Yield restriction for 13 months after the date of deposit. Earnings on such amounts may be invested without Yield restriction for one year after the date of receipt of such earnings.

(c) **Minor Portion.** In addition to the amounts described above, Gross Proceeds not exceeding the Minor Portion may be invested without Yield restriction.

#### **Section 4.2. Fair Market Value.**

(a) **General.** No Investment may be acquired with Gross Proceeds for an amount (including transaction costs) in excess of the fair market value of such Investment, or sold or otherwise disposed of for an amount (including transaction costs) less than the fair market value of the Investment. The fair market value of any Investment is the price a willing buyer would pay to a willing seller to acquire the Investment in a bona fide, arm's-length transaction. Fair market value will be determined in accordance with Section 1.148-5 of the Regulations.

(b) **Established Securities Market.** Except for Investments purchased for a Yield-restricted defeasance escrow, if an Investment is purchased or sold in an arm's-length transaction on an established securities market (within the meaning of Section 1273 of the Code), the purchase or sale price constitutes the fair market value. Where there is no established securities market for an Investment, market value must be established using one of the paragraphs below. The fair market value of Investments purchased for a Yield-restricted defeasance escrow must be determined in a bona fide solicitation for bids that complies with Section 1.148-5 of the Regulations.

(c) **Certificates of Deposit.** The purchase price of a certificate of deposit (a "CD") is treated as its fair market value on the purchase date if (1) the CD has a fixed interest rate, a fixed payment schedule, and a substantial penalty for early withdrawal, (2) the Yield on the CD is not less than the Yield on reasonably comparable direct obligations of the United States, and (3) the Yield is not less than the highest Yield published or posted by the CD issuer to be currently available on reasonably comparable CDs offered to the public.

(d) **Guaranteed Investment Contracts.** The Agency will not enter into a Guaranteed Investment Contract without an opinion of Bond Counsel.

(e) **Other Investments.** If an Investment is not described above, the fair market value may be established through a competitive bidding process, as follows:

(1) at least three bids on the Investment must be received from persons with no financial interest in the Bonds (*e.g.*, as underwriters or brokers); and

(2) the Yield on the Investment must be equal to or greater than the Yield offered under the highest bid.

#### **Section 4.3. Certain Gross Proceeds Exempt from the Rebate Requirement.**

(a) **General.** A portion of the Gross Proceeds of the Bonds may be exempt from rebate pursuant to one or more of the following exceptions. The exceptions typically will not apply with respect to all Gross Proceeds of the Bonds and will not otherwise affect the application of the Investment limitations described in Section 4.1. Unless specifically noted, the obligation to compute, and if necessary, to pay rebate as set forth in Section 4.4 applies even if a portion of the Gross Proceeds of the Bonds is exempt from the rebate requirement. To the extent all or a portion of the Bonds is exempt from Rebate, the Rebate Analyst may account for such fact in connection with its preparation of a rebate report described in Section 4.4. The Agency may defer the final rebate Computation Date and the payment of rebate for the Bonds to the extent permitted by Sections 1.148-7(b)(1) and 1.148-3(e)(2) of the Regulations but only in accordance with specific written instructions provided by the Rebate Analyst.



(b) ***Applicable Spending Exceptions.***

(1) The Agency expect that at least 75% of the Available Construction Proceeds will be used for construction or rehabilitation expenditures for property owned by the Agency. The Agency expects to earn approximately \$122,500 in Investment earnings on Bond proceeds in the Construction Fund.

(2) The following optional rebate spending exceptions can apply to the Bonds:

(A) 6-month Exception (Section 148(f)(2)(B) of the Code and Section 1.148-7(c) of the Regulations)

(B) 18-month Exception (Section 148-7(d) of the Regulations).

(C) 2-year Exception (Section 148(f)(4)(C) of the Code and Section 1.148-7(e) of the Regulations).

(c) ***Special Elections Made with Respect to Spending Exception Elections.*** No special elections are being made in connection with the application of the spending exceptions.

(d) ***Bona Fide Debt Service Fund.*** To the extent that the Debt Service Fund qualifies as a Bona Fide Debt Service Fund, Investment earnings in the account cannot be taken into account in computing arbitrage rebate with respect to such portion that meets the 6-month, 18-month or 2-year spending exception.

(e) ***Documenting Application of Spending Exception.*** At any time prior to the first Computation Date, the Agency may engage the Rebate Analyst to determine whether one or more spending exceptions has been satisfied, and the extent to which the Agency must continue to comply with **Section 4.4.**

(f) ***General Requirements for Spending Exception.*** The following general requirements apply in determining whether a spending exception is met.

(1) Using Adjusted Gross Proceeds or Available Construction Proceeds to pay principal of any Bonds is not taken into account as expenditure for purposes of meeting any of the spending tests.

(2) The six-month spending exception generally is met if all Adjusted Gross Proceeds of the Bonds are spent within six months following the Issue Date. The test may still be satisfied even if up to 5% of the sale proceeds remain at the end of the initial six-month period, so long as this amount is spent within one year of the Issue Date.

(3) The 18-month spending exception generally is met if all Adjusted Gross Proceeds of the Bonds are spent in accordance with the following schedule:

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<b>Time Period After the Issue Date</b>	<b>Minimum Percentage of Adjusted Gross Proceeds Spent</b>
6 months	15%
12 months	60%
18 months (Final)	100%

(4) The 2-year spending exception generally is met if all Available Construction Proceeds are spent in accordance with the following schedule:

<b>Time Period After the Issue Date</b>	<b>Minimum Percentage of Available Construction Proceeds Spent</b>
6 months	10%
12 months	45%
18 months	75%
24 months (Final)	100%

(5) For purposes of applying the 18-month and 2 year spending exceptions only, the failure to satisfy the **final** spending requirement is disregarded if the Agency uses due diligence to complete the Financed Facility and the failure does not exceed the lesser of 3% of the aggregate issue price of the Bonds or \$250,000. **No such exception applies for any other spending period.**

(6) For purposes of applying the 18-month and 2 year spending exceptions only, the Bonds meet the applicable spending test even if, at the end of the **final** spending period, proceeds not exceeding a Reasonable Retainage remain unspent, so long as such Reasonable Retainage is spent within 30 months (in the case of the 18-month exception) or 3 years (in the case of the 2 year spending test) after the Issue Date.

**Section 4.4. Computation and Payment of Arbitrage Rebate.**

(a) **Rebate Fund.** The Agency will keep the Rebate Fund separate from all other funds and will administer the Rebate Fund under this Tax Certificate. Any Investment earnings derived from the Rebate Fund will be credited to the Rebate Fund, and any Investment loss will be charged to the Rebate Fund.

(b) **Computation of Rebate Amount.** The Agency will provide the Rebate Analyst Investment reports relating to each fund held by it that contains Gross Proceeds of the Bonds together with copies of Investment reports for any funds containing Gross Proceeds that are held by a party other than the Agency annually as of the end of each Bond Year and not later than ten days following each Computation Date. Each Investment report provided to the Rebate Analyst will contain a record of each Investment, including (1) purchase date, (2) purchase price, (3) information establishing the fair market value on the date such Investment was allocated to the Bonds, (4) any accrued interest paid, (5) face amount, (6) coupon rate, (7) frequency of interest payments, (8) disposition price, (9) any accrued interest

received, and (10) disposition date. Such records may be supplied in electronic form. The Rebate Analyst will compute rebate following each Computation Date and deliver a written report to the Agency together with an opinion or certificate of the Rebate Analyst stating that arbitrage rebate was determined in accordance with the Regulations. Each report and opinion will be provided not later than 45 days following the Computation Date to which it relates. In performing its duties, the Rebate Analyst may rely, in its discretion, on the correctness of financial analysis reports prepared by other professionals. If the sum of the amount on deposit in the Rebate Fund and the value of prior rebate payments is less than the arbitrage rebate due, the Agency will, within 55 days after such Computation Date, pay the amount of the deficiency for deposit into the Rebate Fund. If the sum of the amount on deposit in the Rebate Fund and the value of prior rebate payments is greater than the Rebate Amount, the Agency shall transfer such surplus in the Rebate Fund to the Debt Service Fund. After the final Computation Date or at any other time if the Rebate Analyst has advised the Agency, any money left in the Rebate Fund will be paid to the Agency and may be used for any purpose not prohibited by law.

(c) **Rebate Payments.** Within 60 days after each Computation Date, the Agency will pay to the United States the rebate amount then due, determined in accordance with the Regulations. Each payment must be (1) accompanied by IRS Form 8038-T and such other forms, documents or certificates as may be required by the Regulations, and (2) mailed or delivered to the IRS at the address shown below, or to such other location as the IRS may direct:

Internal Revenue Service Center  
Ogden, UT 84201

**Section 4.5. Successor Rebate Analyst.** If the firm acting as the Rebate Analyst resigns or becomes incapable of acting for any reason, or if the Agency desires that a different firm act as the Rebate Analyst, then the Agency by an instrument or concurrent instruments in writing delivered to the firm then serving as the Rebate Analyst and any other party to this Tax Certificate, will engage a successor Rebate Analyst. In each case the successor Rebate Analyst must be a firm of nationally recognized bond counsel or a firm of independent certified public accountants and such firm must expressly agree to undertake the responsibilities assigned to the Rebate Analyst hereunder.

**Section 4.6. Rebate Report Records.** The Agency will retain copies of each arbitrage rebate report and opinion until three years after the final Computation Date.

**Section 4.7. Filing Requirements.** The Agency will file or cause to be filed with the Internal Revenue Service such reports or other documents as are required by the Code in accordance with an Opinion of Bond Counsel.

**Section 4.8. Survival after Defeasance.** Notwithstanding anything in the Resolution to the contrary, the obligation to pay arbitrage rebate to the United States will survive the payment or defeasance of the Bonds.

## ARTICLE V

### MISCELLANEOUS PROVISIONS

**Section 5.1. Term of Tax Certificate.** This Tax Certificate will be effective concurrently with the issuance and delivery of the Bonds and will continue in force and effect until the principal or redemption price of and interest on all Bonds have been fully paid and all such Bonds are cancelled;

provided that, the provisions of **Article IV** of this Tax Certificate regarding payment of arbitrage rebate and all related penalties and interest will remain in effect until all such amounts are paid to the United States and the provisions of **Section 5.8** of this Tax Certificate relating to record keeping shall continue in force for the period described therein for records to be retained.

**Section 5.2. Amendments.** This Tax Certificate may be amended from time to time by the Agency without notice to or the consent of any of the Owners, but only if such amendment is in writing and is accompanied by an Opinion of Bond Counsel to the effect that, under then existing law, assuming compliance with this Tax Certificate as so amended such amendment will not cause interest on any Bond to be included in gross income for federal income tax purposes. No such amendment will become effective until the Agency receives this Opinion of Bond Counsel.

**Section 5.3. Opinion of Bond Counsel.** The Agency may deviate from the provisions of this Tax Certificate if furnished with an Opinion of Bond Counsel to the effect that the proposed deviation will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes. The Agency will comply with any further or different instructions provided in an Opinion of Bond Counsel to the effect that the further or different instructions need to be complied with in order to maintain the validity of the Bonds or the exclusion from gross income of interest on the Bonds.

**Section 5.4. Reliance.** In delivering this Tax Certificate the Agency is making only those certifications, representations and agreements as are specifically attributed to them in this Tax Certificate. The Agency is not aware of any facts or circumstances which would cause it to question the accuracy of the facts, circumstances, estimates or expectations of any other party providing certifications as part of this Tax Certificate and, to the best of its knowledge, those facts, circumstances, estimates and expectations are reasonable. The Agency understands that its certifications will be relied upon by the law firm of Gilmore & Bell, P.C., in rendering its opinion as to the validity of the Bonds and the exclusion from federal gross income of the interest on the Bonds.

**Section 5.5. Severability.** If any provision in this Tax Certificate or in the Bonds is determined to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions will not be affected or impaired.

**Section 5.6. Benefit of Certificate.** This Tax Certificate is binding upon the Agency and its respective successors and assigns, and inures to the benefit of the Owners of the Bonds and Bond Counsel. Nothing in this Tax Certificate or in the Resolution or the Bonds, express or implied, gives to any person, other than the Agency and its successors and assigns, Bond Counsel and the Owners, any benefit or any legal or equitable right, remedy or claim under this Tax Certificate.

**Section 5.7. Default; Breach and Enforcement.** Any misrepresentation of the Agency contained herein or any breach of a covenant or agreement contained in this Tax Certificate may be pursued by the Owners pursuant to the terms of the Resolution or any other document which references this Tax Certificate and gives remedies for a misrepresentation or breach thereof.

**Section 5.8. Recordkeeping Responsibilities.** The Agency recognizes (a) that investors purchase the Bonds with the expectation that interest on the Bonds is excluded from gross income for federal income tax purposes, (b) that the tax-exempt status of interest on the Bonds depends on the accuracy of the representations and the satisfaction of the covenants contained herein by the Agency, many of which relate to matters that will occur after the date the Bonds are issued, and (c) that as part of

its ongoing tax-exempt bond audit program the Internal Revenue Service requires that records be created and maintained with respect to the following matters:

- (1) Documentation evidencing expenditure of Bond proceeds in sufficient detail to determine the date of the expenditure, the asset acquired or the purpose of the expenditure.
- (2) Documentation evidencing use of the Financed Facility by public and private persons (e.g., copies of Management Agreements).
- (3) Documentation evidencing all sources of payment or security for the Bonds.
- (4) Documentation pertaining to any Investment of Bond proceeds (including the purchase and sale of securities, SLGs subscriptions, actual Investment income received from the Investment of proceeds, guaranteed Investment contracts, and (if required) rebate calculations).

The Agency has procedures in place or will establish procedures to create and retain these records or to cause these records to be created and retained. Unless otherwise specifically instructed in a written opinion of Bond Counsel or to the extent otherwise provided in this Tax Certificate, the Agency shall retain and maintain these records until three years following the final maturity of (A) the Bonds or (B) any obligation issued to refund the Bonds. Any records maintained electronically must comply with Section 4.01 of Revenue Procedure 97-22.

**Section 5.9. Execution in Counterparts.** This Tax Certificate may be executed in any number of counterparts, each of which so executed will be deemed to be an original, but all such counterparts will together constitute the same instrument.

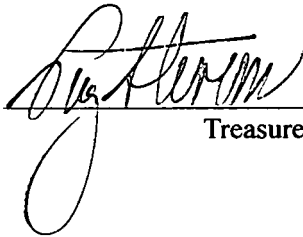
**Section 5.10. Governing Law.** This Tax Certificate will be governed by and construed in accordance with the laws of the State.

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**THE UNDERSIGNED** Chair and Treasurer of the Agency, by their execution of this Tax Certificate, hereby make the foregoing certifications, representations, and agreements contained in this Tax Certificate on behalf of the Agency, as of the Issue Date.

**LANCASTER COUNTY CORRECTIONAL  
FACILITY JOINT PUBLIC AGENCY**

By:   
Chair

By:   
Treasurer

**EXHIBIT A**

**DEBT SERVICE SCHEDULE AND PROOF OF BOND YIELD**

**\$64,390,000.00**

Lancaster County Correctional Facility Joint Public Agency  
Correctional Facility Bonds  
Series 2009

## Sources & Uses

Dated 02/12/2009 | Delivered 02/12/2009

### Sources Of Funds

Par Amount of Bonds	\$64,390,000.00
Reoffering Premium	1,112,783.30
<b>Total Sources</b>	<b>\$65,502,783.30</b>

### Uses Of Funds

Deposit to Project Construction Fund	64,877,459.53
Total Underwriter's Discount (0.750%)	482,925.00
Costs of Issuance	139,000.00
Rounding Amount	3,398.77
<b>Total Uses</b>	<b>\$65,502,783.30</b>



**\$64,390,000.00**

Lancaster County Correctional Facility Joint Public Agency  
Correctional Facility Bonds  
Series 2009

## Debt Service Schedule

Part 1 of 2

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
02/12/2009	-	-	-	-	-
06/01/2009	-	-	768,746.72	768,746.72	-
12/01/2009	2,430,000.00	1.000%	1,269,490.00	3,699,490.00	4,468,236.72
06/01/2010	-	-	1,257,340.00	1,257,340.00	-
12/01/2010	2,390,000.00	2.000%	1,257,340.00	3,647,340.00	4,904,680.00
06/01/2011	-	-	1,233,440.00	1,233,440.00	-
12/01/2011	2,440,000.00	3.000%	1,233,440.00	3,673,440.00	4,906,880.00
06/01/2012	-	-	1,196,840.00	1,196,840.00	-
12/01/2012	2,510,000.00	2.250%	1,196,840.00	3,706,840.00	4,903,680.00
06/01/2013	-	-	1,168,602.50	1,168,602.50	-
12/01/2013	2,570,000.00	3.000%	1,168,602.50	3,738,602.50	4,907,205.00
06/01/2014	-	-	1,130,052.50	1,130,052.50	-
12/01/2014	2,645,000.00	3.000%	1,130,052.50	3,775,052.50	4,905,105.00
06/01/2015	-	-	1,090,377.50	1,090,377.50	-
12/01/2015	2,725,000.00	3.000%	1,090,377.50	3,815,377.50	4,905,755.00
06/01/2016	-	-	1,049,502.50	1,049,502.50	-
12/01/2016	2,805,000.00	3.000%	1,049,502.50	3,854,502.50	4,904,005.00
06/01/2017	-	-	1,007,427.50	1,007,427.50	-
12/01/2017	2,890,000.00	3.000%	1,007,427.50	3,897,427.50	4,904,855.00
06/01/2018	-	-	964,077.50	964,077.50	-
12/01/2018	2,980,000.00	4.000%	964,077.50	3,944,077.50	4,908,155.00
06/01/2019	-	-	904,477.50	904,477.50	-
12/01/2019	3,095,000.00	3.500%	904,477.50	3,999,477.50	4,903,955.00
06/01/2020	-	-	850,315.00	850,315.00	-
12/01/2020	3,205,000.00	3.600%	850,315.00	4,055,315.00	4,905,630.00
06/01/2021	-	-	792,625.00	792,625.00	-
12/01/2021	3,320,000.00	5.000%	792,625.00	4,112,625.00	4,905,250.00
06/01/2022	-	-	709,625.00	709,625.00	-
12/01/2022	3,485,000.00	5.000%	709,625.00	4,194,625.00	4,904,250.00
06/01/2023	-	-	622,500.00	622,500.00	-
12/01/2023	3,660,000.00	5.000%	622,500.00	4,282,500.00	4,905,000.00
06/01/2024	-	-	531,000.00	531,000.00	-
12/01/2024	3,845,000.00	5.000%	531,000.00	4,376,000.00	4,907,000.00
06/01/2025	-	-	434,875.00	434,875.00	-
12/01/2025	4,035,000.00	5.000%	434,875.00	4,469,875.00	4,904,750.00
06/01/2026	-	-	334,000.00	334,000.00	-
12/01/2026	4,240,000.00	5.000%	334,000.00	4,574,000.00	4,908,000.00
06/01/2027	-	-	228,000.00	228,000.00	-
12/01/2027	4,450,000.00	5.000%	228,000.00	4,678,000.00	4,906,000.00
06/01/2028	-	-	116,750.00	116,750.00	-
12/01/2028	4,670,000.00	5.000%	116,750.00	4,786,750.00	4,903,500.00
<b>Total</b>	<b>\$64,390,000.00</b>	-	<b>\$33,281,891.72</b>	<b>\$97,671,891.72</b>	-

**\$64,390,000.00**

Lancaster County Correctional Facility Joint Public Agency

Correctional Facility Bonds

Series 2009

## Debt Service Schedule

Part 2 of 2

### Yield Statistics

Bond Year Dollars	\$741,655.86
Average Life	11.518 Years
Average Coupon	4.4875115%
Net Interest Cost (NIC)	4.4025855%
True Interest Cost (TIC)	4.3044631%
Bond Yield for Arbitrage Purposes	4.1826980%
All Inclusive Cost (AIC)	4.3291587%

### IRS Form 8038

Net Interest Cost	4.2846008%
Weighted Average Maturity	11.462 Years

**\$64,390,000.00**

Lancaster County Correctional Facility Joint Public Agency  
Correctional Facility Bonds  
Series 2009

## Pricing Summary

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price	Dollar Price
12/01/2009	Serial Coupon	1.000%	1.000%	2,430,000.00	100.000%	2,430,000.00
12/01/2010	Serial Coupon	2.000%	1.500%	2,390,000.00	100.885%	2,411,151.50
12/01/2011	Serial Coupon	3.000%	1.650%	2,440,000.00	103.681%	2,529,816.40
12/01/2012	Serial Coupon	2.250%	1.780%	2,510,000.00	101.719%	2,553,146.90
12/01/2013	Serial Coupon	3.000%	2.020%	2,570,000.00	104.462%	2,684,673.40
12/01/2014	Serial Coupon	3.000%	2.280%	2,645,000.00	103.890%	2,747,890.50
12/01/2015	Serial Coupon	3.000%	2.500%	2,725,000.00	103.107%	2,809,665.75
12/01/2016	Serial Coupon	3.000%	2.730%	2,805,000.00	101.883%	2,857,818.15
12/01/2017	Serial Coupon	3.000%	2.960%	2,890,000.00	100.305%	2,898,814.50
12/01/2018	Serial Coupon	4.000%	3.190%	2,980,000.00	106.768%	3,181,686.40
12/01/2019	Serial Coupon	3.500%	3.440%	3,095,000.00	100.492% c	3,110,227.40
12/01/2020	Serial Coupon	3.600%	3.750%	3,205,000.00	98.576%	3,159,360.80
12/01/2021	Serial Coupon	5.000%	4.030%	3,320,000.00	107.785% c	3,578,462.00
12/01/2022	Serial Coupon	5.000%	4.230%	3,485,000.00	106.120% c	3,698,282.00
12/01/2023	Serial Coupon	5.000%	4.430%	3,660,000.00	104.486% c	3,824,187.60
12/01/2028	Term I Coupon	5.000%	5.080%	21,240,000.00	99.000%	21,027,600.00
<b>Total</b>	-	-	-	<b>\$64,390,000.00</b>	-	<b>\$65,502,783.30</b>

## Bid Information

Par Amount of Bonds	\$64,390,000.00
Reoffering Premium or (Discount)	1,112,783.30
Gross Production	\$65,502,783.30
Total Underwriter's Discount (0.750%)	\$(482,925.00)
Bid (100.978%)	65,019,858.30
Total Purchase Price	\$65,019,858.30
Bond Year Dollars	\$741,655.86
Average Life	11.518 Years
Average Coupon	4.4875115%
Net Interest Cost (NIC)	4.4025855%
True Interest Cost (TIC)	4.3044631%

**\$64,390,000.00**

Lancaster County Correctional Facility Joint Public Agency  
Correctional Facility Bonds  
Series 2009

**Proof of Premium Bond Selection of Call Dates/Prices**

<b>Maturity</b>	<b>Call Date</b>	<b>Call Price</b>	<b>PV at Bond Yield</b>	<b>Lowest?</b>
12/01/2021	-	-	3,587,079.05	No
12/01/2021	12/01/2018	100.000%	3,536,587.50	Yes
12/01/2022	-	-	3,781,606.48	No
12/01/2022	12/01/2018	100.000%	3,712,351.64	Yes
12/01/2023	-	-	3,987,878.56	No
12/01/2023	12/01/2018	100.000%	3,898,768.15	Yes

**\$64,390,000.00**

Lancaster County Correctional Facility Joint Public Agency  
Correctional Facility Bonds  
Series 2009

**Proof of D/S for Arbitrage Purposes**

Date	Principal	Interest	Total
02/12/2009	-	-	-
06/01/2009	-	768,746.72	768,746.72
12/01/2009	2,430,000.00	1,269,490.00	3,699,490.00
06/01/2010	-	1,257,340.00	1,257,340.00
12/01/2010	2,390,000.00	1,257,340.00	3,647,340.00
06/01/2011	-	1,233,440.00	1,233,440.00
12/01/2011	2,440,000.00	1,233,440.00	3,673,440.00
06/01/2012	-	1,196,840.00	1,196,840.00
12/01/2012	2,510,000.00	1,196,840.00	3,706,840.00
06/01/2013	-	1,168,602.50	1,168,602.50
12/01/2013	2,570,000.00	1,168,602.50	3,738,602.50
06/01/2014	-	1,130,052.50	1,130,052.50
12/01/2014	2,645,000.00	1,130,052.50	3,775,052.50
06/01/2015	-	1,090,377.50	1,090,377.50
12/01/2015	2,725,000.00	1,090,377.50	3,815,377.50
06/01/2016	-	1,049,502.50	1,049,502.50
12/01/2016	2,805,000.00	1,049,502.50	3,854,502.50
06/01/2017	-	1,007,427.50	1,007,427.50
12/01/2017	2,890,000.00	1,007,427.50	3,897,427.50
06/01/2018	-	964,077.50	964,077.50
12/01/2018	13,445,000.00	964,077.50	14,409,077.50
06/01/2019	-	642,852.50	642,852.50
12/01/2019	3,095,000.00	642,852.50	3,737,852.50
06/01/2020	-	588,690.00	588,690.00
12/01/2020	3,205,000.00	588,690.00	3,793,690.00
06/01/2021	-	531,000.00	531,000.00
12/01/2021	-	531,000.00	531,000.00
06/01/2022	-	531,000.00	531,000.00
12/01/2022	-	531,000.00	531,000.00
06/01/2023	-	531,000.00	531,000.00
12/01/2023	-	531,000.00	531,000.00
06/01/2024	-	531,000.00	531,000.00
12/01/2024	3,845,000.00	531,000.00	4,376,000.00
06/01/2025	-	434,875.00	434,875.00
12/01/2025	4,035,000.00	434,875.00	4,469,875.00
06/01/2026	-	334,000.00	334,000.00
12/01/2026	4,240,000.00	334,000.00	4,574,000.00
06/01/2027	-	228,000.00	228,000.00
12/01/2027	4,450,000.00	228,000.00	4,678,000.00
06/01/2028	-	116,750.00	116,750.00
12/01/2028	4,670,000.00	116,750.00	4,786,750.00
<b>Total</b>	<b>\$64,390,000.00</b>	<b>\$31,171,891.72</b>	<b>\$95,561,891.72</b>

**\$64,390,000.00**

Lancaster County Correctional Facility Joint Public Agency  
Correctional Facility Bonds  
Series 2009

**Proof Of Bond Yield @ 4.1826980%**

Part 1 of 2

Date	Cashflow	PV Factor	Present Value	Cumulative PV
02/12/2009	-	1.000000x	-	-
06/01/2009	768,746.72	0.9875445x	759,171.63	759,171.63
12/01/2009	3,699,490.00	0.9673146x	3,578,570.78	4,337,742.41
06/01/2010	1,257,340.00	0.9474991x	1,191,328.53	5,529,070.94
12/01/2010	3,647,340.00	0.9280895x	3,385,058.03	8,914,128.97
06/01/2011	1,233,440.00	0.9090775x	1,121,292.60	10,035,421.56
12/01/2011	3,673,440.00	0.8904550x	3,271,033.06	13,306,454.63
06/01/2012	1,196,840.00	0.8722140x	1,043,900.57	14,350,355.20
12/01/2012	3,706,840.00	0.8543466x	3,166,926.17	17,517,281.37
06/01/2013	1,168,602.50	0.8368453x	977,939.45	18,495,220.83
12/01/2013	3,738,602.50	0.8197024x	3,064,541.49	21,559,762.32
06/01/2014	1,130,052.50	0.8029107x	907,331.30	22,467,093.61
12/01/2014	3,775,052.50	0.7864631x	2,968,939.34	25,436,032.95
06/01/2015	1,090,377.50	0.7703523x	839,974.82	26,276,007.77
12/01/2015	3,815,377.50	0.7545716x	2,878,975.42	29,154,983.19
06/01/2016	1,049,502.50	0.7391141x	775,702.12	29,930,685.31
12/01/2016	3,854,502.50	0.7239733x	2,790,556.95	32,721,242.26
06/01/2017	1,007,427.50	0.7091427x	714,409.82	33,435,652.08
12/01/2017	3,897,427.50	0.6946158x	2,707,214.82	36,142,866.90
06/01/2018	964,077.50	0.6803866x	655,945.38	36,798,812.28
12/01/2018	14,409,077.50	0.6664488x	9,602,912.36	46,401,724.64
06/01/2019	642,852.50	0.6527965x	419,651.89	46,821,376.53
12/01/2019	3,737,852.50	0.6394240x	2,390,072.43	49,211,448.97
06/01/2020	588,690.00	0.6263253x	368,711.45	49,580,160.41
12/01/2020	3,793,690.00	0.6134950x	2,327,409.80	51,907,570.21
06/01/2021	531,000.00	0.6009275x	319,092.50	52,226,662.71
12/01/2021	531,000.00	0.5886175x	312,555.87	52,539,218.58
06/01/2022	531,000.00	0.5765596x	306,153.14	52,845,371.71
12/01/2022	531,000.00	0.5647487x	299,881.57	53,145,253.28
06/01/2023	531,000.00	0.5531798x	293,738.47	53,438,991.75
12/01/2023	531,000.00	0.5418479x	287,721.21	53,726,712.96
06/01/2024	531,000.00	0.5307481x	281,827.22	54,008,540.18
12/01/2024	4,376,000.00	0.5198757x	2,274,975.85	56,283,516.04
06/01/2025	434,875.00	0.5092260x	221,449.64	56,504,965.67
12/01/2025	4,469,875.00	0.4987944x	2,229,548.74	58,734,514.42
06/01/2026	334,000.00	0.4885766x	163,184.58	58,897,699.00
12/01/2026	4,574,000.00	0.4785681x	2,188,970.30	61,086,669.29
06/01/2027	228,000.00	0.4687646x	106,878.32	61,193,547.61
12/01/2027	4,678,000.00	0.4591619x	2,147,959.26	63,341,506.87
06/01/2028	116,750.00	0.4497559x	52,509.00	63,394,015.88
12/01/2028	4,786,750.00	0.4405426x	2,108,767.42	65,502,783.30
<b>Total</b>	<b>\$95,561,891.72</b>	<b>-</b>	<b>\$65,502,783.30</b>	<b>-</b>

**\$64,390,000.00**

Lancaster County Correctional Facility Joint Public Agency  
Correctional Facility Bonds  
Series 2009

**Proof Of Bond Yield @ 4.1826980%**

Part 2 of 2

**Derivation Of Target Amount**

Par Amount of Bonds	\$64,390,000.00
Reoffering Premium or (Discount)	1,112,783.30
Original Issue Proceeds	\$65,502,783.30

**\$64,390,000.00**

Lancaster County Correctional Facility Joint Public Agency  
Correctional Facility Bonds  
Series 2009

**Proof Of True Interest Cost (TIC) @ 4.3044631%**

Part 1 of 2

Date	Cashflow	PV Factor	Present Value	Cumulative PV
02/12/2009	-	1.0000000x	-	-
06/01/2009	768,746.72	0.9871881x	758,897.61	758,897.61
12/01/2009	3,699,490.00	0.9663892x	3,575,147.03	4,334,044.64
06/01/2010	1,257,340.00	0.9460284x	1,189,479.39	5,523,524.03
12/01/2010	3,647,340.00	0.9260967x	3,377,789.51	8,901,313.54
06/01/2011	1,233,440.00	0.9065849x	1,118,218.06	10,019,531.60
12/01/2011	3,673,440.00	0.8874842x	3,260,119.85	13,279,651.46
06/01/2012	1,196,840.00	0.8687859x	1,039,797.70	14,319,449.16
12/01/2012	3,706,840.00	0.8504816x	3,152,599.05	17,472,048.21
06/01/2013	1,168,602.50	0.8325629x	972,935.06	18,444,983.26
12/01/2013	3,738,602.50	0.8150217x	3,047,042.24	21,492,025.50
06/01/2014	1,130,052.50	0.7978501x	901,612.54	22,393,638.05
12/01/2014	3,775,052.50	0.7810403x	2,948,468.29	25,342,106.34
06/01/2015	1,090,377.50	0.7645847x	833,685.96	26,175,792.30
12/01/2015	3,815,377.50	0.7484758x	2,855,717.63	29,031,509.93
06/01/2016	1,049,502.50	0.7327062x	768,977.03	29,800,486.96
12/01/2016	3,854,502.50	0.7172690x	2,764,714.97	32,565,201.93
06/01/2017	1,007,427.50	0.7021569x	707,372.18	33,272,574.11
12/01/2017	3,897,427.50	0.6873633x	2,678,948.47	35,951,522.59
06/01/2018	964,077.50	0.6728813x	648,709.72	36,600,232.30
12/01/2018	3,944,077.50	0.6587045x	2,597,981.41	39,198,213.71
06/01/2019	904,477.50	0.6448263x	583,230.88	39,781,444.59
12/01/2019	3,999,477.50	0.6312405x	2,524,632.33	42,306,076.92
06/01/2020	850,315.00	0.6179410x	525,444.52	42,831,521.44
12/01/2020	4,055,315.00	0.6049217x	2,453,148.05	45,284,669.49
06/01/2021	792,625.00	0.5921767x	469,374.05	45,754,043.53
12/01/2021	4,112,625.00	0.5797002x	2,384,089.52	48,138,133.06
06/01/2022	709,625.00	0.5674866x	402,702.66	48,540,835.72
12/01/2022	4,194,625.00	0.5555303x	2,330,241.18	50,871,076.90
06/01/2023	622,500.00	0.5438259x	338,531.61	51,209,608.51
12/01/2023	4,282,500.00	0.5323681x	2,279,866.34	53,489,474.85
06/01/2024	531,000.00	0.5211517x	276,731.55	53,766,206.40
12/01/2024	4,376,000.00	0.5101716x	2,232,511.02	55,998,717.42
06/01/2025	434,875.00	0.4994229x	217,186.53	56,215,903.95
12/01/2025	4,469,875.00	0.4889006x	2,185,324.62	58,401,228.57
06/01/2026	334,000.00	0.4786000x	159,852.41	58,561,080.98
12/01/2026	4,574,000.00	0.4685165x	2,142,994.34	60,704,075.32
06/01/2027	228,000.00	0.4586454x	104,571.14	60,808,646.47
12/01/2027	4,678,000.00	0.4489822x	2,100,338.85	62,908,985.32
06/01/2028	116,750.00	0.4395227x	51,314.27	62,960,299.59
12/01/2028	4,786,750.00	0.4302624x	2,059,558.71	65,019,858.30
<b>Total</b>	<b>\$97,671,891.72</b>	-	<b>\$65,019,858.30</b>	-



**\$64,390,000.00**

Lancaster County Correctional Facility Joint Public Agency  
Correctional Facility Bonds  
Series 2009

**Proof Of True Interest Cost (TIC) @ 4.3044631%**

Part 2 of 2

**Derivation Of Target Amount**

Par Amount of Bonds	\$64,390,000.00
Reoffering Premium or (Discount)	1,112,783.30
Total Underwriter's Discount (0.750%)	\$(482,925.00)
<b>Total Purchase Price</b>	<b>\$65,019,858.30</b>

**\$64,390,000.00**

Lancaster County Correctional Facility Joint Public Agency  
Correctional Facility Bonds  
Series 2009

### Derivation Of Form 8038 Yield Statistics

Maturity	Issuance Value	Price	Issuance PRICE	Exponent	Bond Years
02/12/2009	-	-	-	-	-
12/01/2009	2,430,000.00	100.000%	2,430,000.00	0.8027778x	1,950,750.00
12/01/2010	2,390,000.00	100.885%	2,411,151.50	1.8027778x	4,346,770.34
12/01/2011	2,440,000.00	103.681%	2,529,816.40	2.8027778x	7,090,513.19
12/01/2012	2,510,000.00	101.719%	2,553,146.90	3.8027778x	9,709,050.29
12/01/2013	2,570,000.00	104.462%	2,684,673.40	4.8027778x	12,893,889.75
12/01/2014	2,645,000.00	103.890%	2,747,890.50	5.8027778x	15,945,397.93
12/01/2015	2,725,000.00	103.107%	2,809,665.75	6.8027778x	19,113,531.73
12/01/2016	2,805,000.00	101.883%	2,857,818.15	7.8027778x	22,298,919.95
12/01/2017	2,890,000.00	100.305%	2,898,814.50	8.8027778x	25,517,619.86
12/01/2018	2,980,000.00	106.768%	3,181,686.40	9.8027778x	31,189,364.74
12/01/2019	3,095,000.00	100.492%	3,110,227.40	10.8027778x	33,599,095.44
12/01/2020	3,205,000.00	98.576%	3,159,360.80	11.8027778x	37,289,233.44
12/01/2021	3,320,000.00	107.785%	3,578,462.00	12.8027778x	45,814,253.77
12/01/2022	3,485,000.00	106.120%	3,698,282.00	13.8027778x	51,046,564.61
12/01/2023	3,660,000.00	104.486%	3,824,187.60	14.8027778x	56,608,599.22
12/01/2024	3,845,000.00	99.000%	3,806,550.00	15.8027778x	60,154,063.75
12/01/2025	4,035,000.00	99.000%	3,994,650.00	16.8027778x	67,121,216.25
12/01/2026	4,240,000.00	99.000%	4,197,600.00	17.8027778x	74,728,940.00
12/01/2027	4,450,000.00	99.000%	4,405,500.00	18.8027778x	82,835,637.50
12/01/2028	4,670,000.00	99.000%	4,623,300.00	19.8027778x	91,554,182.50
<b>Total</b>	<b>\$64,390,000.00</b>	<b>-</b>	<b>\$65,502,783.30</b>	<b>-</b>	<b>\$750,807,594.27</b>

#### IRS Form 8038

Weighted Average Maturity = Bond Years/Issue Price	11.462 Years
Total Interest from Debt Service	33,281,891.72
Reoffering (Premium) or Discount	(1,112,783.30)
Total Interest	32,169,108.42
NIC = Interest / (Issue Price * Average Maturity)	4.2846008%
Bond Yield for Arbitrage Purposes	4.1826980%

**EXHIBIT B**

**IRS FORM 8038-G**

**Information Return for Tax-Exempt Governmental Obligations**

► Under Internal Revenue Code section 149(e)  
 ► See separate instructions.

OMB No. 1545-0720

Caution: If the issue price is under \$100,000, use Form 8038-GC.

<b>Part I Reporting Authority</b>			If Amended Return, check here <input type="checkbox"/>	
1 Issuer's name <b>Lancaster County Correctional Facility Joint Public Agency</b>	2 Issuer's employer identification number <b>35 : 2355660</b>			
3 Number and street (or P.O. box if mail is not delivered to street address) <b>555 South 10th Street</b>	Room/suite	4 Report number <b>3 2009-1</b>		
5 City, town, or post office, state, and ZIP code <b>Lincoln, Nebraska 68508</b>		6 Date of issue <b>February 12, 2009</b>		
7 Name of issue <b>Correctional Facility Bonds, Series 2009</b>		8 CUSIP number <b>513877 AR1</b>		
9 Name and title of officer or legal representative whom the IRS may call for more information <b>Lauren Wismer, Bond Counsel</b>		10 Telephone number of officer or legal representative <b>( 402 ) 474-5000</b>		

<b>Part II Type of Issue (check applicable box(es) and enter the issue price)</b> See instructions and attach schedule		
11 <input type="checkbox"/> Education		11
12 <input type="checkbox"/> Health and hospital		12
13 <input type="checkbox"/> Transportation		13
14 <input type="checkbox"/> Public safety		14
15 <input type="checkbox"/> Environment (including sewage bonds)		15
16 <input type="checkbox"/> Housing		16
17 <input type="checkbox"/> Utilities		17
18 <input checked="" type="checkbox"/> Other. Describe ► <b>Public Facilities</b>		18 <b>65,502,783.30</b>
19 If obligations are TANs or RANs, check box <input type="checkbox"/> If obligations are BANs, check box <input type="checkbox"/>		
20 If obligations are in the form of a lease or installment sale, check box <input type="checkbox"/>		

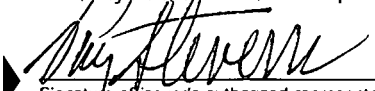
<b>Part III Description of Obligations. Complete for the entire issue for which this form is being filed.</b>					
	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	<b>12-1-2028</b>	<b>\$ 65,502,783.30</b>	<b>\$ 64,390,000.00</b>	<b>11.462</b> years	<b>4.1826980 %</b>

<b>Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)</b>				
22	Proceeds used for accrued interest		22	<b>0.00</b>
23	Issue price of entire issue (enter amount from line 21, column (b))		23	<b>65,502,783.30</b>
24	Proceeds used for bond issuance costs (including underwriters' discount)	<b>621,925.00</b>	24	
25	Proceeds used for credit enhancement	<b>0.00</b>	25	
26	Proceeds allocated to reasonably required reserve or replacement fund	<b>0.00</b>	26	
27	Proceeds used to currently refund prior issues	<b>0.00</b>	27	
28	Proceeds used to advance refund prior issues	<b>0.00</b>	28	
29	Total (add lines 24 through 28)		29	<b>621,925.00</b>
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)		30	<b>64,880,858.30</b>

<b>Part V Description of Refunded Bonds (Complete this part only for refunding bonds.)</b>	
31	Enter the remaining weighted average maturity of the bonds to be currently refunded <input type="checkbox"/> years
32	Enter the remaining weighted average maturity of the bonds to be advance refunded <input type="checkbox"/> years
33	Enter the last date on which the refunded bonds will be called <input type="checkbox"/>
34	Enter the date(s) the refunded bonds were issued <input type="checkbox"/>

<b>Part VI Miscellaneous</b>	
35	Enter the amount of the state volume cap allocated to the issue under section 141(b)(5) <input type="checkbox"/> <b>0.00</b>
36a	Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (see instructions) <input type="checkbox"/> <b>0.00</b>
b	Enter the final maturity date of the guaranteed investment contract ► <b>N/A</b>
37	Pooled financings: a Proceeds of this issue that are to be used to make loans to other governmental units <input type="checkbox"/> <b>0.00</b>
b	If this issue is a loan made from the proceeds of another tax-exempt issue, check box <input type="checkbox"/> and enter the name of the issuer ► <b>N/A</b> and the date of the issue ► <b>N/A</b>
38	If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box <input type="checkbox"/>
39	If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box <input type="checkbox"/>
40	If the issuer has identified a hedge, check box <input type="checkbox"/>

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

**Sign Here**  **2-10-09** **Ray Stevens, Treasurer**  
 Signature of issuer's authorized representative Date Type or print name and title

## **EXHIBIT C**

### **DESCRIPTION OF PROPERTY COMPRISING THE FINANCED FACILITY**

The Financed Facility consists of constructing, equipping and furnishing new correctional facilities to be owned by the Lancaster County Correctional Facility Joint Public Agency and operated by The County of Lancaster, Nebraska. The Agency expects the Financed Facility to be completed in 2011.

The estimated useful life of the Financed Facility is 30 years. Its total cost is in excess of \$67,000,000.00 The amount to be financed from the Bonds or Original Obligations is \$65,502,783.30

EXCEPT AS OTHERWISE PROVIDED IN THE RESOLUTION (REFERRED TO HEREIN), THIS GLOBAL BOND MAY BE TRANSFERRED, IN WHOLE BUT NOT IN PART, ONLY TO ANOTHER NOMINEE OF THE SECURITIES DEPOSITORY (AS DEFINED HEREIN) OR TO A SUCCESSOR SECURITIES DEPOSITORY OR TO A NOMINEE OF A SUCCESSOR SECURITIES DEPOSITORY.

Registered  
No. R-1

Registered  
\$2,430,000.00

UNITED STATES OF AMERICA  
STATE OF NEBRASKA  
LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY  
CORRECTIONAL FACILITY BOND, SERIES 2009

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated Date</u>	<u>CUSIP Number</u>
1.00%	December 1, 2009	February 12, 2009	513877 AA 8

REGISTERED OWNER: ~~CSDE~~ & CO.

PRINCIPAL AMOUNT: TWO MILLION FOUR HUNDRED THIRTY THOUSAND DOLLARS

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THE BOND SET FORTH ON THE FOLLOWING PAGES, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

IN WITNESS WHEREOF, LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY has caused this Bond to be executed by the manual or facsimile signature of the Chair of the Board and attested by the manual or facsimile signature of the Secretary of the Board.

ATTEST:

LANCASTER COUNTY CORRECTIONAL  
FACILITY JOINT PUBLIC AGENCY

By: \_\_\_\_\_

*[Signature]*  
Secretary

By: \_\_\_\_\_

*[Signature]*  
Chair

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds of the issue described in the within-mentioned Resolution.

Registration Date: FEB 12 2009

WELLS FARGO BANK, NATIONAL  
ASSOCIATION, Paying Agent

By: \_\_\_\_\_

*[Signature]*  
Authorized Officer or Signatory

EXCEPT AS OTHERWISE PROVIDED IN THE RESOLUTION (REFERRED TO HEREIN), THIS GLOBAL BOND MAY BE TRANSFERRED, IN WHOLE BUT NOT IN PART, ONLY TO ANOTHER NOMINEE OF THE SECURITIES DEPOSITORY (AS DEFINED HEREIN) OR TO A SUCCESSOR SECURITIES DEPOSITORY OR TO A NOMINEE OF A SUCCESSOR SECURITIES DEPOSITORY.

Registered  
No. R-2

Registered  
\$2,390,000.00

UNITED STATES OF AMERICA  
STATE OF NEBRASKA  
LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY  
CORRECTIONAL FACILITY BOND, SERIES 2009

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated Date</u>	<u>CUSIP Number</u>
2.00%	December 1, 2010	February 12, 2009	513877 AB 6

REGISTERED OWNER: CEDE & CO.


PRINCIPAL AMOUNT: TWO MILLION THREE HUNDRED NINETY THOUSAND DOLLARS

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THE BOND SET FORTH ON THE FOLLOWING PAGES, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

IN WITNESS WHEREOF, LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY has caused this Bond to be executed by the manual or facsimile signature of the Chair of the Board and attested by the manual or facsimile signature of the Secretary of the Board.

ATTEST:

LANCASTER COUNTY CORRECTIONAL  
FACILITY JOINT PUBLIC AGENCY

By:   
Secretary

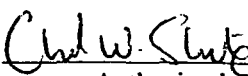
By:   
Chair

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds of the issue described in the within-mentioned Resolution.

Registration Date: FEB 12 2009

WELLS FARGO BANK, NATIONAL  
ASSOCIATION, Paying Agent

By:   
Authorized Officer or Signatory

EXCEPT AS OTHERWISE PROVIDED IN THE RESOLUTION (REFERRED TO HEREIN), THIS GLOBAL BOND MAY BE TRANSFERRED, IN WHOLE BUT NOT IN PART, ONLY TO ANOTHER NOMINEE OF THE SECURITIES DEPOSITORY (AS DEFINED HEREIN) OR TO A SUCCESSOR SECURITIES DEPOSITORY OR TO A NOMINEE OF A SUCCESSOR SECURITIES DEPOSITORY.

Registered  
No. R-3

Registered  
\$2,440,000.00

UNITED STATES OF AMERICA  
STATE OF NEBRASKA  
LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY  
CORRECTIONAL FACILITY BOND, SERIES 2009

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated Date</u>	<u>CUSIP Number</u>
3.00%	December 1, 2011	February 12, 2009	513877 AC 4

SPECIMEN

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: TWO MILLION FOUR HUNDRED FORTY THOUSAND DOLLARS

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THE BOND SET FORTH ON THE FOLLOWING PAGES, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

IN WITNESS WHEREOF, LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY has caused this Bond to be executed by the manual or facsimile signature of the Chair of the Board and attested by the manual or facsimile signature of the Secretary of the Board.

ATTEST:

LANCASTER COUNTY CORRECTIONAL  
FACILITY JOINT PUBLIC AGENCY

By: *[Signature]*  
Secretary

By: *[Signature]*  
Chair

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds of the issue described in the within-mentioned Resolution.

Registration Date: FEB 12 2009

WELLS FARGO BANK, NATIONAL  
ASSOCIATION, Paying Agent

By: *[Signature]*  
Authorized Officer or Signatory

SPECIMEN



EXCEPT AS OTHERWISE PROVIDED IN THE RESOLUTION (REFERRED TO HEREIN), THIS GLOBAL BOND MAY BE TRANSFERRED, IN WHOLE BUT NOT IN PART, ONLY TO ANOTHER NOMINEE OF THE SECURITIES DEPOSITORY (AS DEFINED HEREIN) OR TO A SUCCESSOR SECURITIES DEPOSITORY OR TO A NOMINEE OF A SUCCESSOR SECURITIES DEPOSITORY.

Registered  
No. R-4

Registered  
\$2,510,000.00

UNITED STATES OF AMERICA  
STATE OF NEBRASKA  
LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY  
CORRECTIONAL FACILITY BOND, SERIES 2009

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated Date</u>	<u>CUSIP Number</u>
2.25%	December 1, 2012	February 12, 2009	513877 AD 2

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: TWO MILLION FIVE HUNDRED TEN THOUSAND DOLLARS

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THE BOND SET FORTH ON THE FOLLOWING PAGES, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

IN WITNESS WHEREOF, LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY has caused this Bond to be executed by the manual or facsimile signature of the Chair of the Board and attested by the manual or facsimile signature of the Secretary of the Board.

ATTEST:

LANCASTER COUNTY CORRECTIONAL  
FACILITY JOINT PUBLIC AGENCY

By: *[Signature]*  
Secretary

By: *[Signature]*  
Chair

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds of the issue described in the within-mentioned Resolution.

Registration Date: FEB 12 2009

WELLS FARGO BANK, NATIONAL  
ASSOCIATION, Paying Agent

By: *[Signature]*  
Authorized Officer or Signatory

EXCEPT AS OTHERWISE PROVIDED IN THE RESOLUTION (REFERRED TO HEREIN), THIS GLOBAL BOND MAY BE TRANSFERRED, IN WHOLE BUT NOT IN PART, ONLY TO ANOTHER NOMINEE OF THE SECURITIES DEPOSITORY (AS DEFINED HEREIN) OR TO A SUCCESSOR SECURITIES DEPOSITORY OR TO A NOMINEE OF A SUCCESSOR SECURITIES DEPOSITORY.

Registered  
No. R-5

Registered  
\$2,570,000.00

UNITED STATES OF AMERICA  
STATE OF NEBRASKA  
LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY  
CORRECTIONAL FACILITY BOND, SERIES 2009

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated Date</u>	<u>CUSIP Number</u>
3.00%	December 1, 2013	February 12, 2009	513877 AE 0

REGISTERED OWNER: DEDE & CO.

PRINCIPAL AMOUNT: TWO MILLION FIVE HUNDRED SEVENTY THOUSAND DOLLARS

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THE BOND SET FORTH ON THE FOLLOWING PAGES, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

IN WITNESS WHEREOF, LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY has caused this Bond to be executed by the manual or facsimile signature of the Chair of the Board and attested by the manual or facsimile signature of the Secretary of the Board.

ATTEST:

LANCASTER COUNTY CORRECTIONAL  
FACILITY JOINT PUBLIC AGENCY

By: *[Signature]*  
Secretary

By: *[Signature]*  
Chair

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds of the Issue described in the within-mentioned Resolution.

Registration Date: FEB 12 2009

WELLS FARGO BANK, NATIONAL  
ASSOCIATION, Paying Agent

By: *[Signature]*  
Authorized Officer or Signatory

EXCEPT AS OTHERWISE PROVIDED IN THE RESOLUTION (REFERRED TO HEREIN), THIS GLOBAL BOND MAY BE TRANSFERRED, IN WHOLE BUT NOT IN PART, ONLY TO ANOTHER NOMINEE OF THE SECURITIES DEPOSITORY (AS DEFINED HEREIN) OR TO A SUCCESSOR SECURITIES DEPOSITORY OR TO A NOMINEE OF A SUCCESSOR SECURITIES DEPOSITORY.

Registered  
No. R-6

Registered  
\$2,645,000.00

UNITED STATES OF AMERICA  
STATE OF NEBRASKA  
LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY  
CORRECTIONAL FACILITY BOND, SERIES 2009

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated Date</u>	<u>CUSIP Number</u>
3.00%	December 1, 2014	February 12, 2009	513877 AF 7

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: TWO MILLION SIX HUNDRED FORTY-FIVE THOUSAND DOLLARS

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THE BOND SET FORTH ON THE FOLLOWING PAGES, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

IN WITNESS WHEREOF, LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY has caused this Bond to be executed by the manual or facsimile signature of the Chair of the Board and attested by the manual or facsimile signature of the Secretary of the Board.

ATTEST:

LANCASTER COUNTY CORRECTIONAL  
FACILITY JOINT PUBLIC AGENCY

By: *[Signature]*  
Secretary

By: *[Signature]*  
Chair

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds of the issue described in the within-mentioned Resolution.

Registration Date: FEB 12 2009

WELLS FARGO BANK, NATIONAL  
ASSOCIATION, Paying Agent

By: *[Signature]*  
Authorized Officer or Signatory

EXCEPT AS OTHERWISE PROVIDED IN THE RESOLUTION (REFERRED TO HEREIN), THIS GLOBAL BOND MAY BE TRANSFERRED, IN WHOLE BUT NOT IN PART, ONLY TO ANOTHER NOMINEE OF THE SECURITIES DEPOSITORY (AS DEFINED HEREIN) OR TO A SUCCESSOR SECURITIES DEPOSITORY OR TO A NOMINEE OF A SUCCESSOR SECURITIES DEPOSITORY.

Registered  
No. R-7

Registered  
\$2,725,000.00

UNITED STATES OF AMERICA  
STATE OF NEBRASKA  
LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY  
CORRECTIONAL FACILITY BOND, SERIES 2009

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated Date</u>	<u>CUSIP Number</u>
3.00%	December 1, 2015	February 12, 2009	513877 AG 5

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: TWO MILLION SEVEN HUNDRED TWENTY-FIVE THOUSAND DOLLARS

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THE BOND SET FORTH ON THE FOLLOWING PAGES, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

IN WITNESS WHEREOF, LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY has caused this Bond to be executed by the manual or facsimile signature of the Chair of the Board and attested by the manual or facsimile signature of the Secretary of the Board.

ATTEST:

LANCASTER COUNTY CORRECTIONAL  
FACILITY JOINT PUBLIC AGENCY

By: *[Signature]*  
Secretary

By: *[Signature]*  
Chair

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds of the issue described in the within-mentioned Resolution.

Registration Date: FEB 12 2009

WELLS FARGO BANK, NATIONAL  
ASSOCIATION, Paying Agent

By: *[Signature]*  
Authorized Officer or Signatory

EXCEPT AS OTHERWISE PROVIDED IN THE RESOLUTION (REFERRED TO HEREIN), THIS GLOBAL BOND MAY BE TRANSFERRED, IN WHOLE BUT NOT IN PART, ONLY TO ANOTHER NOMINEE OF THE SECURITIES DEPOSITORY (AS DEFINED HEREIN) OR TO A SUCCESSOR SECURITIES DEPOSITORY OR TO A NOMINEE OF A SUCCESSOR SECURITIES DEPOSITORY.

Registered  
No. R-8

Registered  
\$2,805,000.00

UNITED STATES OF AMERICA  
STATE OF NEBRASKA  
LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY  
CORRECTIONAL FACILITY BOND, SERIES 2009

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated Date</u>	<u>CUSIP Number</u>
3.00%	December 1, 2016	February 12, 2009	513877 AH 3

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: TWO MILLION EIGHT HUNDRED FIVE THOUSAND DOLLARS

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THE BOND SET FORTH ON THE FOLLOWING PAGES, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

IN WITNESS WHEREOF, LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY has caused this Bond to be executed by the manual or facsimile signature of the Chair of the Board and attested by the manual or facsimile signature of the Secretary of the Board.

ATTEST:

LANCASTER COUNTY CORRECTIONAL  
FACILITY JOINT PUBLIC AGENCY

By: *[Signature]*  
Secretary

By: *[Signature]*  
Chair

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds of the issue described in the within-mentioned Resolution.

Registration Date: FEB 12 2009

WELLS FARGO BANK, NATIONAL  
ASSOCIATION, Paying Agent

By: *[Signature]*  
Authorized Officer or Signatory

EXCEPT AS OTHERWISE PROVIDED IN THE RESOLUTION (REFERRED TO HEREIN), THIS GLOBAL BOND MAY BE TRANSFERRED, IN WHOLE BUT NOT IN PART, ONLY TO ANOTHER NOMINEE OF THE SECURITIES DEPOSITORY (AS DEFINED HEREIN) OR TO A SUCCESSOR SECURITIES DEPOSITORY OR TO A NOMINEE OF A SUCCESSOR SECURITIES DEPOSITORY.

Registered  
No. R-9

Registered  
\$2,890,000.00

UNITED STATES OF AMERICA  
STATE OF NEBRASKA  
LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY  
CORRECTIONAL FACILITY BOND, SERIES 2009

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated Date</u>	<u>CUSIP Number</u>
3.00%	December 1, 2017	February 12, 2009	513877 AJ 9

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: TWO MILLION EIGHT HUNDRED NINETY THOUSAND DOLLARS

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THE BOND SET FORTH ON THE FOLLOWING PAGES, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

IN WITNESS WHEREOF, LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY has caused this Bond to be executed by the manual or facsimile signature of the Chair of the Board and attested by the manual or facsimile signature of the Secretary of the Board.

ATTEST:

LANCASTER COUNTY CORRECTIONAL  
FACILITY JOINT PUBLIC AGENCY

By: *[Signature]*  
Secretary

By: *[Signature]*  
Chair

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds of the issue described in the within-mentioned Resolution.

Registration Date: FEB 12 2009

WELLS FARGO BANK, NATIONAL  
ASSOCIATION, Paying Agent

By: *[Signature]*  
Authorized Officer or Signatory

EXCEPT AS OTHERWISE PROVIDED IN THE RESOLUTION (REFERRED TO HEREIN), THIS GLOBAL BOND MAY BE TRANSFERRED, IN WHOLE BUT NOT IN PART, ONLY TO ANOTHER NOMINEE OF THE SECURITIES DEPOSITORY (AS DEFINED HEREIN) OR TO A SUCCESSOR SECURITIES DEPOSITORY OR TO A NOMINEE OF A SUCCESSOR SECURITIES DEPOSITORY.

Registered  
No. R-10

Registered  
\$2,980,000.00

UNITED STATES OF AMERICA  
STATE OF NEBRASKA  
LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY  
CORRECTIONAL FACILITY BOND, SERIES 2009

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated Date</u>	<u>CUSIP Number</u>
4.00%	December 1, 2018	February 12, 2009	513877 AK 6

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: TWO MILLION NINE HUNDRED EIGHTY THOUSAND DOLLARS

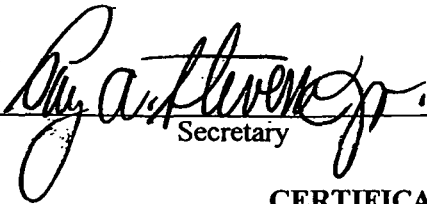
REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THE BOND SET FORTH ON THE FOLLOWING PAGES, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

IN WITNESS WHEREOF, LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY has caused this Bond to be executed by the manual or facsimile signature of the Chair of the Board and attested by the manual or facsimile signature of the Secretary of the Board.

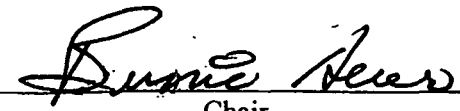
ATTEST:

LANCASTER COUNTY CORRECTIONAL  
FACILITY JOINT PUBLIC AGENCY

By:

  
Secretary

By:

  
Chair

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds of the issue described in the within-mentioned Resolution.

Registration Date: FEB 12 2009

WELLS FARGO BANK, NATIONAL  
ASSOCIATION, Paying Agent

By:

  
Authorized Officer or Signatory

EXCEPT AS OTHERWISE PROVIDED IN THE RESOLUTION (REFERRED TO HEREIN), THIS GLOBAL BOND MAY BE TRANSFERRED, IN WHOLE BUT NOT IN PART, ONLY TO ANOTHER NOMINEE OF THE SECURITIES DEPOSITORY (AS DEFINED HEREIN) OR TO A SUCCESSOR SECURITIES DEPOSITORY OR TO A NOMINEE OF A SUCCESSOR SECURITIES DEPOSITORY.

Registered  
No. R-11

Registered  
\$3,095,000.00

UNITED STATES OF AMERICA  
STATE OF NEBRASKA  
LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY  
CORRECTIONAL FACILITY BOND, SERIES 2009

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated Date</u>	<u>CUSIP Number</u>
3.50%	December 1, 2019	February 12, 2009	513877 AL 4

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: THREE MILLION NINETY-FIVE THOUSAND DOLLARS

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THE BOND SET FORTH ON THE FOLLOWING PAGES, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

IN WITNESS WHEREOF, LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY has caused this Bond to be executed by the manual or facsimile signature of the Chair of the Board and attested by the manual or facsimile signature of the Secretary of the Board.

ATTEST:

LANCASTER COUNTY CORRECTIONAL  
FACILITY JOINT PUBLIC AGENCY

By: *[Signature]*  
Secretary

By: *[Signature]*  
Chair

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds of the issue described in the within-mentioned Resolution.

Registration Date: FEB 12 2009

SPECIMEN

WELLS FARGO BANK, NATIONAL  
ASSOCIATION, Paying Agent

By: *[Signature]*  
Authorized Officer or Signatory



EXCEPT AS OTHERWISE PROVIDED IN THE RESOLUTION (REFERRED TO HEREIN), THIS GLOBAL BOND MAY BE TRANSFERRED, IN WHOLE BUT NOT IN PART, ONLY TO ANOTHER NOMINEE OF THE SECURITIES DEPOSITORY (AS DEFINED HEREIN) OR TO A SUCCESSOR SECURITIES DEPOSITORY OR TO A NOMINEE OF A SUCCESSOR SECURITIES DEPOSITORY.

Registered  
No. R-12

Registered  
\$3,205,000.00

UNITED STATES OF AMERICA  
STATE OF NEBRASKA  
LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY  
CORRECTIONAL FACILITY BOND, SERIES 2009

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated Date</u>	<u>CUSIP Number</u>
3.60%	December 1, 2020	February 12, 2009	513877 AM 2

REGISTERED OWNER: CEDE & CO.

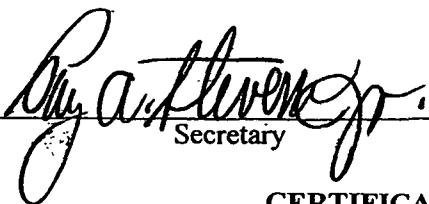
PRINCIPAL AMOUNT: THREE MILLION TWO HUNDRED FIVE THOUSAND DOLLARS

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THE BOND SET FORTH ON THE FOLLOWING PAGES, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

IN WITNESS WHEREOF, LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY has caused this Bond to be executed by the manual or facsimile signature of the Chair of the Board and attested by the manual or facsimile signature of the Secretary of the Board.

ATTEST:

LANCASTER COUNTY CORRECTIONAL  
FACILITY JOINT PUBLIC AGENCY

By:   
Secretary

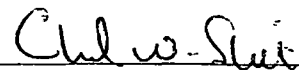
By:   
Chair

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds of the issue described in the within-mentioned Resolution.

Registration Date: FEB 12 2009

WELLS FARGO BANK, NATIONAL  
ASSOCIATION, Paying Agent

By:   
Authorized Officer or Signatory

EXCEPT AS OTHERWISE PROVIDED IN THE RESOLUTION (REFERRED TO HEREIN), THIS GLOBAL BOND MAY BE TRANSFERRED, IN WHOLE BUT NOT IN PART, ONLY TO ANOTHER NOMINEE OF THE SECURITIES DEPOSITORY (AS DEFINED HEREIN) OR TO A SUCCESSOR SECURITIES DEPOSITORY OR TO A NOMINEE OF A SUCCESSOR SECURITIES DEPOSITORY.

Registered  
No. R-13

Registered  
\$3,320,000.00

UNITED STATES OF AMERICA  
STATE OF NEBRASKA  
LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY  
CORRECTIONAL FACILITY BOND, SERIES 2009

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated Date</u>	<u>CUSIP Number</u>
5.00%	December 1, 2009	February 12, 2009	513877 AN 0

REGISTERED OWNER: CEDE

PRINCIPAL AMOUNT: THREE MILLION THREE HUNDRED TWENTY THOUSAND DOLLARS

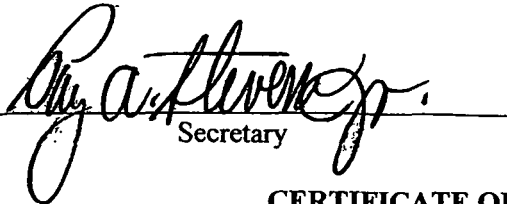
REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THE BOND SET FORTH ON THE FOLLOWING PAGES, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

IN WITNESS WHEREOF, LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY has caused this Bond to be executed by the manual or facsimile signature of the Chair of the Board and attested by the manual or facsimile signature of the Secretary of the Board.

ATTEST:

LANCASTER COUNTY CORRECTIONAL  
FACILITY JOINT PUBLIC AGENCY

By:

  
Secretary

By:

  
Chair

CERTIFICATE OF AUTHENTICATION

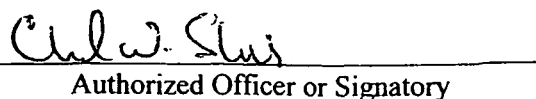
This Bond is one of the Bonds of the issue described in the within-mentioned Resolution.

Registration Date:

FEB 12 2009

WELLS FARGO BANK, NATIONAL  
ASSOCIATION, Paying Agent

By:

  
Authorized Officer or Signatory

EXCEPT AS OTHERWISE PROVIDED IN THE RESOLUTION (REFERRED TO HEREIN), THIS GLOBAL BOND MAY BE TRANSFERRED, IN WHOLE BUT NOT IN PART, ONLY TO ANOTHER NOMINEE OF THE SECURITIES DEPOSITORY (AS DEFINED HEREIN) OR TO A SUCCESSOR SECURITIES DEPOSITORY OR TO A NOMINEE OF A SUCCESSOR SECURITIES DEPOSITORY.

Registered  
No. R-14

Registered  
\$3,485,000.00

UNITED STATES OF AMERICA  
STATE OF NEBRASKA  
LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY  
CORRECTIONAL FACILITY BOND, SERIES 2009

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated Date</u>	<u>CUSIP Number</u>
5.00%	December 2022	February 12, 2009	513877 AP 5

REGISTERED OWNER: CEFON & CO.

PRINCIPAL AMOUNT: THREE MILLION FOUR HUNDRED EIGHTY-FIVE THOUSAND DOLLARS

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THE BOND SET FORTH ON THE FOLLOWING PAGES, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

IN WITNESS WHEREOF, LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY has caused this Bond to be executed by the manual or facsimile signature of the Chair of the Board and attested by the manual or facsimile signature of the Secretary of the Board.

ATTEST:

LANCASTER COUNTY CORRECTIONAL  
FACILITY JOINT PUBLIC AGENCY

By: *[Signature]*  
Secretary

By: *[Signature]*  
Chair

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds of the issue described in the within-mentioned Resolution.

Registration Date: FEB 12 2009

WELLS FARGO BANK, NATIONAL  
ASSOCIATION, Paying Agent

By: *[Signature]*  
Authorized Officer or Signatory

EXCEPT AS OTHERWISE PROVIDED IN THE RESOLUTION (REFERRED TO HEREIN), THIS GLOBAL BOND MAY BE TRANSFERRED, IN WHOLE BUT NOT IN PART, ONLY TO ANOTHER NOMINEE OF THE SECURITIES DEPOSITORY (AS DEFINED HEREIN) OR TO A SUCCESSOR SECURITIES DEPOSITORY OR TO A NOMINEE OF A SUCCESSOR SECURITIES DEPOSITORY.

Registered  
No. R-15

Registered  
\$3,660,000.00

UNITED STATES OF AMERICA  
STATE OF NEBRASKA  
LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY  
CORRECTIONAL FACILITY BOND, SERIES 2009

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated Date</u>	<u>CUSIP Number</u>
5.00%	December 1, 2023	February 12, 2009	513877 AQ 3

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: THREE MILLION SIX HUNDRED SIXTY THOUSAND DOLLARS

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THE BOND SET FORTH ON THE FOLLOWING PAGES, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

IN WITNESS WHEREOF, LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY has caused this Bond to be executed by the manual or facsimile signature of the Chair of the Board and attested by the manual or facsimile signature of the Secretary of the Board.

ATTEST:

LANCASTER COUNTY CORRECTIONAL  
FACILITY JOINT PUBLIC AGENCY

By: *[Signature]*  
Secretary

By: *[Signature]*  
Chair

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds of the issue described in the within mentioned Resolution.

Registration Date: FEB 12 2009

WELLS FARGO BANK, NATIONAL  
ASSOCIATION, Paying Agent

By: *[Signature]*  
Authorized Officer or Signatory

EXCEPT AS OTHERWISE PROVIDED IN THE RESOLUTION (REFERRED TO HEREIN), THIS GLOBAL BOND MAY BE TRANSFERRED, IN WHOLE BUT NOT IN PART, ONLY TO ANOTHER NOMINEE OF THE SECURITIES DEPOSITORY (AS DEFINED HEREIN) OR TO A SUCCESSOR SECURITIES DEPOSITORY OR TO A NOMINEE OF A SUCCESSOR SECURITIES DEPOSITORY.

Registered  
No. R-16

Registered  
\$21,240,000.00

UNITED STATES OF AMERICA  
STATE OF NEBRASKA  
LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY  
CORRECTIONAL FACILITY BOND, SERIES 2009

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated Date</u>	<u>CUSIP Number</u>
5.00%	December 1, 2028	February 12, 2009	513877 AR 1

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: TWENTY-ONE MILLION TWO HUNDRED FORTY THOUSAND DOLLARS

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THE BOND SET FORTH ON THE FOLLOWING PAGES, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

IN WITNESS WHEREOF, LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY has caused this Bond to be executed by the manual or facsimile signature of the Chair of the Board and attested by the manual or facsimile signature of the Secretary of the Board.

ATTEST:

LANCASTER COUNTY CORRECTIONAL  
FACILITY JOINT PUBLIC AGENCY

By: *Ray A. Stevens Jr.*  
Secretary

By: *Sumie New*  
Chair

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds of the issue described in the within-mentioned Resolution.

FEB 12 2009

Registration Date: \_\_\_\_\_

WELLS FARGO BANK, NATIONAL  
ASSOCIATION, Paying Agent

By: *Chad W. Shult*  
Authorized Officer or Signatory

**LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY** (the "Agency"), a joint public agency duly organized and validly existing under and pursuant to the Joint Public Agency Act (Chapter 13, Article 25, Reissue Revised Statutes of Nebraska, the "Act") and the Lancaster County Correctional Facility Joint Public Agency Agreement dated September 9, 2009 (the "Agreement") duly authorized, executed and delivered by The County of Lancaster, Nebraska (the "County") and The City of Lincoln, Nebraska (the "City"), for value received, hereby acknowledges itself to be indebted and promises to pay to the Registered Owner specified above, or registered assigns, the Principal Amount stated above on the Maturity Date shown above unless called for redemption prior to such Maturity Date, and to pay interest thereon at the Interest Rate per annum shown above (computed on the basis of a 360-day year of twelve 30-day months) from the Dated Date shown above or from the most recent interest payment date to which interest has been paid or duly provided for, payable semiannually on June 1 and December 1 in each year, beginning June 1, 2009, until the Principal Amount has been paid.

The principal or redemption price of this Bond shall be paid at maturity or upon earlier redemption by check or draft mailed to the person in whose name this Bond is registered at the maturity or redemption date thereof, upon presentation and surrender of this Bond at the designated corporate trust administration office of **WELLS FARGO BANK, NATIONAL ASSOCIATION** (the "Paying Agent"). The interest payable on this Bond on any interest payment date shall be paid to the person in whose name this Bond is registered on the registration books maintained by the Paying Agent at the close of business on the Record Date for such interest, which shall be the fifteenth day of the month next preceding the month in which such interest payment date occurs. Such interest shall be payable by check or draft mailed by the Paying Agent to the address of such Registered Owner shown on the Bond Register. The principal or redemption price of and interest on this Bond shall be payable by check or draft in any coin or currency that, on the respective dates of payment thereof, is legal tender for the payment of public and private debts.

This Bond is one of an authorized series of bonds of the Agency designated "Correctional Facility Bonds, Series 2009," aggregating the principal amount of \$64,390,000 (the "Bonds"), issued by the Agency for the purpose of (a) paying the costs of constructing, equipping and furnishing a new correctional facility to be operated and managed by the County (collectively, the "Project") and (b) paying the costs of issuing the Bonds, under the authority of and in full compliance with the constitution and laws of the State of Nebraska, and pursuant to the Act, the Agreement and the Bond Resolution duly passed (the "Resolution") and proceedings duly and legally had by the Board of the Agency. Reference is hereby made to the Act, the Agreement and the Resolution to all of the provisions of each of which any Registered Owner hereof by the acceptance hereof thereby assents, for a description of the nature and extent of the security for the Bonds, the terms and conditions upon which the Agency may issue obligations thereunder, definitions of terms, the funds, taxes and revenues pledged to the payment of the principal or redemption price of and interest on the Bonds, the nature and extent and manner of enforcement of the pledge, the rights and remedies of the Registered Owner hereof with respect thereto; the terms and conditions upon which this Bond is issued; and the rights, duties and obligations of the Agency. Certified copies of the Resolution and the Agreement are on file at the office of the agency and at the Designated Office (defined in the Resolution) of the Paying Agent.

At the option of the Agency, Bonds or portions thereof maturing on or after December 1, 2019 may be redeemed and paid prior to maturity at any time on or after December 1, 2018, as a whole or in part in such principal amounts and from such maturity or maturities as the Agency may determine (Bonds of less than a full maturity to be selected in multiples of \$5,000 principal amount in such equitable manner as the Paying Agent shall designate) at a redemption price equal to 100% of the principal amount being redeemed, plus accrued interest on such principal amount to the redemption date.

Notice of redemption, unless waived, is to be given by the Paying Agent by mailing an official redemption notice by first-class mail at least 30 days prior to the redemption date to the original purchaser of the Bonds and each registered owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register maintained by the Paying Agent. Notice of redemption having been given as provided, the Bonds or portions of Bonds to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the Agency defaults in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest.

The Bonds constitute general obligations of the Agency payable as to both principal and interest from ad valorem taxes which may be levied in accordance with the provisions of the Act and the Agreement upon all the taxable property within the County sufficient in rate and amount to pay the principal or redemption price of and interest on this Bond when and as the same become due.

The Bonds are issuable in the form of fully registered Bonds in the denominations of \$5,000 or any integral multiple thereof.

This Bond may be transferred or exchanged, as provided in the Resolution, only on the Bond Register kept for that purpose at the Designated Office of the Paying Agent, upon surrender of this Bond together with a written instrument of transfer or authorization for exchange satisfactory to the Paying Agent duly executed by the Registered Owner or the Registered Owner's duly authorized agent, and thereupon a new Bond or Bonds in any authorized denomination of the same maturity and in the same aggregate principal amount shall be issued to the transferee in exchange therefor as provided in the Resolution and upon payment of the charges therein prescribed. The Agency and the Paying Agent may deem and treat the person in whose name this Bond is registered on the Bond Register as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or redemption price hereof and interest due hereon and for all other purposes.

The Bonds are being issued by means of a book-entry system with no physical distribution of bond certificates to be made except as provided in the Resolution. One Bond certificate with respect to each date on which the Bonds are stated to mature or with respect to each form of Bonds, registered in the nominee name of The Depository Trust Company (the "Securities Depository"), is being issued and required to be deposited with the Securities Depository and immobilized in its custody. The book-entry system will evidence positions held in the Bonds by the Securities Depository's participants, beneficial ownership of the Bonds in authorized denominations being evidenced in the records of such participants. Transfers of ownership shall be effected on the records of the Securities Depository and its participants pursuant to rules and procedures established by the Securities Depository and its participants. The Agency and the Paying Agent will recognize the Securities Depository nominee, while the registered owner of this Bond, as the owner of this Bond for all purposes, including (a) payments of principal or redemption price of and interest on this Bond, (b) notices and (c) voting. Transfer of principal or redemption price and interest payments to participants of the Securities Depository, and transfer of principal or redemption price and interest payments to beneficial owners of the Bonds by participants of the Securities Depository will be the responsibility of such participants and other nominees of such beneficial owners. The Agency and the Paying Agent will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by the Securities Depository, the Securities Depository nominee, its participants or persons acting through such participants. While the Securities Depository nominee is the owner of this Bond, notwithstanding the provision hereinabove contained, payments of principal or redemption price of and interest on this Bond shall be made in accordance with existing arrangements among the Agency, the Paying Agent and the Securities Depository.

**EXCEPT AS OTHERWISE PROVIDED IN THE RESOLUTION, THIS GLOBAL BOND MAY BE TRANSFERRED, IN WHOLE BUT NOT IN PART, ONLY TO ANOTHER NOMINEE OF THE SECURITIES DEPOSITORY OR TO A SUCCESSOR SECURITIES DEPOSITORY OR TO A NOMINEE OF A SUCCESSOR SECURITIES DEPOSITORY.**

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Resolution until the Certificate of Authentication hereon has been executed by the Paying Agent.

**IT IS HEREBY DECLARED AND CERTIFIED** that all acts, conditions and things required to be done and to exist precedent to and in the issuance of the Bonds have been done and performed and do exist in due and regular form and manner as required by the constitution and laws of the State of Nebraska; that the Agency has covenanted and agreed that it will caused to be levied and collected a direct annual tax, in addition to all other taxes, upon all taxable property in the County and the City in accordance with the provisions of the Act and the Agreement sufficient in rate and amount to pay the principal or redemption price of and interest on the Bonds when due; and that the total indebtedness of the Agency, including this Bond and the series of which it is one, does not exceed any constitutional or statutory limitation.



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**ASSIGNMENT**

**FOR VALUE RECEIVED**, the undersigned hereby sells, assigns and transfers unto

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Print or Type Name, Address and Social Security Number  
or other Taxpayer Identification Number of Transferee

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_ agent to transfer the within Bond on the books kept by the Paying Agent for the registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

\_\_\_\_\_  
NOTICE: The signature to this assignment must correspond with the name of the Registered Owner as it appears upon the face of the within Bond in every particular.

Signature Guaranteed By:

\_\_\_\_\_  
(Name of Eligible Guarantor Institution as defined by SEC Rule 17 Ad-15 (17 CFR 240.17 Ad-15))

By: \_\_\_\_\_  
Title: \_\_\_\_\_

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# AFFIDAVIT OF PUBLICATION

*State of Nebraska* }  
 LANCASTER COUNTY, } SS.

**NOTICE OF INTENTION TO ISSUE BONDS**

Notice is hereby given that the Lancaster County Correctional Facility Joint Public Agency intends to issue bonds of the Agency to finance construction, equipping and furnishing correctional facilities and related improvements for the Lancaster County Department of Corrections, Lincoln, Nebraska.

The principal amount of bonds to be issued is \$65,000,000. The maturity dates and approximate principal amounts maturing on such dates are as follows:

Maturity (December 1)	Principal Amount
2009	\$2,070,000
2010	2,375,000
2011	2,435,000
2012	2,500,000
2013	2,570,000
2014	2,650,000
2015	2,740,000
2016	2,830,000
2017	2,935,000
2018	3,045,000
2019	3,165,000
2020	3,295,000
2021	3,440,000
2022	3,590,000
2023	3,755,000
2024	3,935,000
2025	4,130,000
2026	4,340,000
2027	4,565,000
2028	4,805,000

The bonds shall bear interest at a rate not greater than 6%.  
 A copy of the proposed form of the resolution authorizing the issuance of such bonds may be examined at the office of the Clerk of The County of Lancaster, Nebraska during regular business hours for the county offices for a period of not less than 30 days from the date of this notice.  
 #5388958 11 Nov. 22

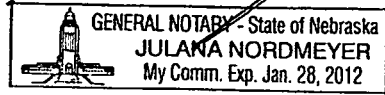
The undersigned, being first duly sworn, deposes and says that she/he is a Clerk of the Lincoln Journal Star, legal newspaper printed, published and having a general circulation in the County of Lancaster and State of Nebraska, and that the attached printed notice was published in said newspaper one successive time(s) the first insertion having been on the 22 day of November A.D., 2008 and thereafter on \_\_\_\_\_, 20\_\_\_\_ and that said newspaper is the legal newspaper under the statutes of the State of Nebraska. The above facts are within my personal knowledge and are further verified by my personal inspection of each notice in each of said issues.

*Rebecca Coulter*

Subscribed in my presence and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_

*Juliana Nordmeyer* Notary Public

Printer's Fee, \$ \_\_\_\_\_



*5388958*

**CLOSING CERTIFICATE  
LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY**

**\$64,390,000**

**Lancaster County Correctional Facility Joint Public Agency  
Correctional Facility Bonds, Series 2009**

**Dated: date of delivery  
(February 12, 2009)**

We, **BERNIE HEIER** and **RAY STEVENS**, hereby certify that we are the duly elected or appointed, qualified and acting Chair and Secretary/Treasurer, respectively, of the Lancaster County Correctional Facility Joint Public Agency (the "**Agency**"), and as such officers we are familiar with the official books and records of the Agency. In connection with the issuance by the Agency of the above-referenced bonds (the "**Bonds**"), being duly sworn under oath, do hereby certify, represent, agree, covenant and warrant as follows:

1. **Meaning of Words and Terms.** Capitalized words and terms used herein, unless otherwise defined herein or the context requires otherwise, shall have the same meanings ascribed to such words and terms in the Bond Resolution dated December 30, 2008, as amended by the Amendment to Bond Resolution dated January 26, 2009, duly passed and adopted by the Board (the "**Board**") of the Agency (together, the "**Bond Resolution**") authorizing the issuance of the above-referenced bonds (the "**Bonds**").

2. **Due Organization and Authority.** The Agency is a legally constituted joint public agency duly organized and existing under the Joint Public Agency Act (Chapter 13, Article 25, Reissue Revised Statutes of Nebraska, as amended) and the Joint Public Agency Agreement Creating the Lancaster County Correctional Facility Joint Public Agency dated September 9, 2008 (the "**JPA Agreement**") between The County of Lancaster, Nebraska and The City of Lincoln, Nebraska. The Agency has complied with all provisions of (a) the Constitution and the laws of the State of Nebraska and (b) the JPA Agreement and its Bylaws, and has full power and authority to consummate all transactions contemplated by the Agency Documents (hereinafter defined) and any and all other agreements relating thereto.

3. **Transcript of Proceedings.** The transcript of proceedings (the "**Transcript**") relating to the authorization and issuance of the Bonds furnished to the Purchaser includes a true and correct copy of the proceedings had by the Board and other records, proceedings and documents relating to the issuance of the Bonds; such Transcript is, to the best of our knowledge, information and belief, full and complete. Such proceedings of the Agency shown in the Transcript have not been modified, amended or repealed and are in full force and effect as of the date hereof; and the Transcript has been duly filed in the official records of the Agency.

4. **Meetings; Notice and Agenda; Minutes.** (a) Each meeting of the Board at which action was taken in connection with authorization and issuance of the Bonds and the execution and delivery of any related documents was at all times open to the public and was preceded by advance publicized notice duly given pursuant to and in compliance with the provisions of the Open Meetings Act, (Chapter 84, Article 14, Reissue Revised Statutes of Nebraska, as amended); all of the subjects considered and acted on were contained in the agenda for each such meeting, which agendas were kept continuously current and available for public inspection at the office of the Clerk of The County of

Lancaster, Nebraska; such subjects were contained in the agenda for at least twenty-four hours prior to such meeting; at the beginning of each meeting, the public was informed of the location of at least one posted current copy of the Open Meetings Act available and accessible to the public in the room in which each meeting was held; at least one copy of all resolutions and other reproducible written materials, for which actions were shown in such proceedings, was made available for examination and copying by the members of the public at the meeting or meetings in which such actions were taken; the minutes of each meeting of the Board, all or a portion of which are included in the Transcript, were, in accordance with standard practice, in written form and available for public inspection within ten working days and prior to the next convened meeting of the Board; and all news media requesting notification of each such meeting of the Board were provided with advance notice of the time and place of such meeting and the subjects to be discussed thereat.

(b) Notices of the meetings of the Board duly held on September 15, 2008, December 30, 2008, January 26, 2009, and February 10, 2009 in the form of the respective agendas for each of such meetings attached hereto as **Exhibit A**, were posted on the official bulletin board of the County in the County-City Building, 555 South 10th Street, Lincoln, Nebraska, under the heading of "PUBLIC NOTICE OF MEETING," more than 24 hours before each such meeting. Such notices (in the form of the respective agendas for each of such meetings) were on file in the Clerk's office on September 9, 2008, December 23, 2008, January 23, 2009, and February 10, 2009.

(c) True, correct, and complete copies of the minutes of the legally convened meetings of the Board held on September 15, 2008, December 30, 2008, January 26, 2009, and February 10, 2009, which minutes reflect all actions taken by the Board in connection with the creation of the Agency and issuance of the Bonds are attached hereto as **Exhibit B**.

(d) Attached hereto as **Exhibit C** is a true, complete and correct copy of the Bylaws of the Agency, and such Bylaws have not been amended and are in full force and effect as of the date hereof.

5. **Incumbency of Officers.** The following named persons were and are the duly appointed, qualified and acting officers and directors of the Agency at all times during which such persons participated in the proceedings relating to the authorization and issuance of the Bonds and the execution and delivery of the Agency Documents as shown in the Transcript:

<u>Name</u>	<u>Title</u>
Bernie Heier	Chair
Robin Eschliman	Vice Chair
Robert Workman	Secretary/Treasurer (through and including January 5, 2009)
Ray Stevens	Secretary/Treasurer (through and including January 6, 2009)
Chris Beutler	Member

6. **Execution of Documents.** The following documents (collectively, the "Agency Documents") have been duly executed and delivered in the name and on behalf of the Agency by its duly authorized officers, pursuant to and in full compliance with the resolutions passed by the Board at the meetings as shown in the Transcript; the copies of the Agency Documents contained in the Transcript are true, complete and correct copies or counterparts of the Agency Documents as executed and delivered by the Agency, and are in substantially the same form and text as the copies of the Agency Documents which were before and approved by the Board; and none of the Agency Documents have been amended, modified or rescinded and each of the Agency Documents is in full force and effect as of the date hereof:

- (a) Facilities Agreement;
- (b) Site Lease;
- (c) Registrar Agreement;
- (d) Federal Tax Certificate;
- (e) Continuing Disclosure Certificate;
- (f) Bond Purchase Agreement;
- (g) Certificate Fixing and Establishing Terms;
- (h) Temporary Termination.

All of the respective provisions, terms, conditions, form and content of the Bonds, the Bond Resolution, the Agency Documents, the Preliminary Official Statement, the Official Statement, and of all other documents executed by the District, including, without limitation, those executed by one or more of us on behalf of the District, in connection with the authorization, issuance, sale and delivery of the Bonds, are hereby approved, ratified, and finalized.

**7. Execution of Bonds.** The Bonds in the aggregate principal amount of \$64,390,000, dated the date of delivery (February 12, 2009) thereof, consisting of fully registered bonds in denominations of \$5,000 or integral multiples thereof numbered from R-1 consecutively upward, have been duly signed and executed by the facsimile signatures of the Chair and Secretary as the duly qualified, constituted and authorized officials of the Agency. On the date of the Bonds, and on the date when the Bonds were executed, such officials were and at the date hereof are the officials indicated by their signatures on the Bonds and on this Closing Certificate, respectively. The signatures of such officials are true and genuine and the respective undersigned officials hereby ratify, confirm and adopt their respective facsimile signatures on the Bonds as a proper execution of the Bonds.

**8. Non-Litigation.** There is no litigation, suit or other proceeding of any kind pending, or to our knowledge threatened, (a) seeking to restrain or enjoin the issuance or delivery of the Bonds, or (b) contesting, disputing or affecting in any way (1) the legal organization of the Agency, (2) the right or title of any of its officers to their respective offices, (3) the legality of any of its official acts shown to have been done in the Transcript, (4) the constitutionality or validity of the Bonds or the indebtedness represented by the Bonds, or any of the proceedings had in relation to the authorization, issuance or sale thereof, (5) the legality, validity or enforceability of any of the Agency Documents, (6) the levy and collection of an annual tax as set forth in the JPA Agreement and the Bond Resolution to pay the principal or redemption price of and interest on the Bonds when and as the same become due, or (7) the federal or state tax-exempt status of the interest on the Bonds, or (c) that could have a material adverse effect on the financial condition or operations of the Agency or its ability to make payments on the Bonds or to perform its agreements and obligations under any of the Agency Documents.

**9. Representations and Warranties.** The Agency has duly performed all of its obligations required to be performed at or prior to the date of this Closing Certificate by the Agency Documents and each of the Agency's representations and warranties contained in the Agency Documents is true as of the date hereof. The Agency has authorized, by all necessary action, the execution, delivery or receipt and due performance of the Bonds, the Agency Documents and any and all such other agreements and documents as may be required to be executed, delivered and received by the Agency in order to carry out, give effect to and consummate the transactions contemplated by the Agency Documents. All acts, conditions and things required by the terms and provisions of the Constitution and laws of the State of Nebraska or the JPA Agreement and Bylaws to be performed, exist or be completed by the Agency or others on or prior to the date hereof in order to cause the Bonds and the Agency Documents to be the valid, binding and enforceable obligations of the Agency, have been duly performed, undertaken and

completed, and the Agency has undertaken, and does hereby further undertake, to hereafter perform, cause to exist and complete all further and additional acts, conditions and things as may be necessary in order to assure that the Bonds are secured in the manner specified, provided for in and contemplated by the Bonds and the Agency Documents. The adoption, execution, delivery, receipt and due performance of the Bonds, the Agency Documents and any other agreements contemplated thereby under the circumstances contemplated thereby and in compliance by the Agency with the provisions thereof will not conflict with or constitute on the part of the Agency, a breach of or a default under any existing law, court or administrative regulation, decree or order, the JPA Agreement or its Bylaws, or any resolution, agreement, indenture, mortgage, lease or other instrument to which the Agency is subject or by which it is bound.

**10. Preliminary Official Statement and Official Statement.** The Preliminary Official Statement and the Official Statement contained in the Transcript constitute full, true and correct copies of the Preliminary Official Statement and Official Statement relating to the Bonds. To the best of our knowledge, the information contained in the Preliminary Official Statement and in the Official Statement is true in all material respects and does not contain any untrue statement of a material fact or omit any material fact (except for the omission of such information in the Preliminary Official Statement as is permitted by Rule 15c2-12(b)(1) of the Securities and Exchange Commission) necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. As of this date there has been no material adverse change in the financial condition or the financial affairs of the Agency since the date of the issuance of the Preliminary Official Statement or the Official Statement, and no other event has occurred which is necessary to be disclosed in the Preliminary Official Statement or the Official Statement in order to make the statements therein not misleading in any material respect as of the date hereof. The Agency has heretofore caused to be delivered to the Purchaser copies of the Preliminary Official Statement. For the purpose of enabling the Purchaser to comply with the requirements of Rule 15c2-12(b)(1) of the Securities and Exchange Commission, the Agency hereby deems the information regarding the Agency contained in the Preliminary Official Statement to be "final" as of its date, except for the omission of such information as is permitted by Rule 15c2-12(b)(1), such as offering prices, interest rates, selling compensation, aggregate principal amount, principal per maturity, delivery dates, ratings, identity of the underwriters and other terms of the Bonds depending on such matters.

**11. IRS Form 8038-G.** The information contained in IRS Form 8038-G to be filed with the Internal Revenue Service was supplied by the Agency, and is true, complete and correct as of the date hereof.

**12. Receipt of Purchase Price of the Bonds.** The Agency on this date received from the Purchaser the full purchase price of the Bonds and accrued interest on the Bonds to the date of delivery computed as follows:

Principal:	\$64,390,000.00
Plus: net original issue premium	1,112,783.30
Underwriter's Discount (1.0%):	<u>(482,925.00)</u>
Total Purchase Price Received:	<u>\$65,019,858.30</u>

**13. Deposit of Bond Proceeds.** The Agency on this date, in accordance with the requirements of the Bond Resolution and the Tax Certificate has deposited the proceeds of the Bonds as follows:

Construction Fund	\$65,019,858.30
Costs of Issuance	<u>139,000.00</u>
Total Uses of Funds:	<u>\$64,880,858.30</u>

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# MEETING NOTICE

## LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY

Monday, September 15, 2008

County-City Building

555 South 10<sup>th</sup> Street

Hearing Room (#112)

9:00 am

### Agenda

1. **Election of Officers**
2. **Public Hearing** – Budget Hearing
3. **Adopt Resolution** – Resolution in the matter of approving the budget for the fiscal year of July 1, 2008 to June 30, 2009.
4. **Adjournment**

## **MEETING NOTICE**

**LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY  
TUESDAY, DECEMBER 30, 2008  
COUNTY-CITY BUILDING, ROOM 112  
555 SOUTH 10<sup>TH</sup> STREET  
8:30 A.M.**

### **AGENDA**

- 1. APPROVAL OF MINUTES** - October 14, 2008 (Previously Distributed)
- 2. ADOPT INTERLOCAL AGREEMENT** - Interlocal agreement between the City of Lincoln; the County of Lancaster, Nebraska; and the Lancaster County Correctional Facilities Joint Public Agency (JPA) for the housing of City prisoners
- 3. ADOPT RESOLUTION** - Resolution approving the issuance of the Lancaster County Correctional Facility Joint Public Agency (JPA) Building Bonds, in an amount not to exceed \$65,000,000, and related matters
- 4. ADJOURNMENT**

# MEETING NOTICE

**LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY**

**MONDAY, JANUARY 26, 2009**

**COUNTY-CITY BUILDING, ROOM 112**

**555 SOUTH 10<sup>th</sup> Street**

**4:45 P.M.**

## AGENDA

*Location Announcement of Nebraska Open Meetings Act: A copy of the Nebraska Open Meetings Act is located on the wall at the rear of the Hearing Room.*

1. **APPROVAL OF MINUTES** – December 30, 2008
2. **AMEND BOND RESOLUTION TO PERMIT A NEGOTIATED SALE** –  
Lauren Wismer, Gilmore & Bell; Scott Keene, Ameritas
3. **ADJOURNMENT**

RECEIVED

FEB 6 8 2009

**MEETING NOTICE**

LANC. COUNTY CLERK

**LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY  
TUESDAY, FEBRUARY 10, 2009  
COUNTY-CITY BUILDING, ROOM 112  
555 SOUTH 10<sup>th</sup> STREET  
8:00 A.M.**

**AGENDA**

*Location Announcement of Nebraska Open Meetings Act: A copy of the Nebraska Open Meetings Act is located on the wall at the rear of the Hearing Room.*

1. **APPROVAL OF MINUTES** - January 26, 2009
2. **ELECTION OF RAY STEVENS AS SECRETARY/TREASURER**
3. **DESIGNATION OF LANCASTER COUNTY CLERK AS RECORD KEEPER**
4. **ADOPTION OF BYLAWS**

**MINUTES**  
**LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY (JPA)**  
**COUNTY-CITY BUILDING**  
**ROOM 112**  
**MONDAY, SEPTEMBER 15, 2008**  
**9:00 A.M.**

Present: Bob Workman, County Board of Commissioners Chair; Bernie Heier, County Board of Commissioners Vice Chair; Chris Beutler, Mayor of Lincoln; and Robin Eschliman, City Council Chair

Others Present: Dennis Meyer, County Budget & Fiscal Officer; Don Herz, City Finance Director; Steve Hubka, City Budget Officer; John Hendry, City Attorney; Scott Keene, Ameritas Investment Corporation; Lauren Wismer and Lisa DeBuse, Gilmore & Bell, PC; Kerry Eagan, Chief Administrative Officer; Rick Hoppe, Administrative Assistant to the Mayor; Andre Mick, Lincoln Independent Business Association (LIBA); Nancy Intermill, Citizen; Cori Beattie, Deputy County Clerk; and Ann Taylor, County Clerk's Office

Lauren Wismer, Gilmore & Bell PC, called the meeting to order at 9:05 a.m. He noted the meeting is subject to all of the requirements of the Nebraska Open Meetings Act and said a copy of the Nebraska Open Meetings Act is located in the back of the meeting room.

**AGENDA ITEM**

**1 ELECTION OF OFFICERS**

Wismer asked for nominations for Chair of the Lancaster County Correctional Facility Joint Public Agency (JPA).

**MOTION:** Workman moved and Eschliman seconded to nominate Bernie Heier as Chair of the Lancaster County Correctional Facility Joint Public Agency (JPA).

Wismer asked if there were any other nominations. There being none, Wismer asked for a motion to close nominations for Chair of the Lancaster County Correctional Facility Joint Public Agency (JPA).

**MOTION:** Heier moved and Beutler seconded to close nominations for Chair of the Lancaster County Correctional Facility Joint Public Agency (JPA). Beutler, Eschliman, Heier and Workman voted aye. Motion carried.

Wismer asked for nominations for Vice Chair of the Lancaster County Correctional Facility Joint Public Agency (JPA).

**MOTION:** Heier moved and Workman seconded to nominate Robin Eschliman as Vice Chair of the Lancaster County Correctional Facility Joint Public Agency (JPA).

Wismer asked if there were any other nominations. There being none, Wismer asked for a motion to close nominations for Vice Chair of the Lancaster County Correctional Facility Joint Public Agency (JPA).

**MOTION:** Workman moved and Heier seconded to close nominations for Vice Chair of the Lancaster County Correctional Facility Joint Public Agency (JPA). Beutler, Eschliman, Workman and Heier voted aye. Motion carried.

Wismer asked for nominations for Secretary of the Lancaster County Correctional Facility Joint Public Agency (JPA).

**MOTION:** Beutler moved and Heier seconded to nominate Bob Workman as Secretary of the Lancaster County Correctional Facility Joint Public Agency (JPA).

Wismer asked if there were any other nominations. There being none, Wismer asked for a motion to close nominations for Secretary of the Lancaster County Correctional Facility Joint Public Agency (JPA).

**MOTION:** Eschliman moved and Beutler seconded to close nominations for Secretary of the Lancaster County Correctional Facility Joint Public Agency (JPA). Eschliman, Beutler, Workman and Heier voted aye. Motion carried.

## **2 PUBLIC HEARING ON THE BUDGET**

The Chair opened the public hearing and asked if anyone wished to provide testimony.

The oath was administered to Dennis Meyer, County Budget & Fiscal Officer.

Meyer gave an overview of the Lancaster County Correctional Facility Joint Public Agency (JPA) budget and levy calculation (Exhibit A).

The Chair asked if anyone else wished to testify.

No one appeared and the hearing was closed.

**3 ADOPT RESOLUTION IN THE MATTER OF APPROVING THE BUDGET FOR THE FISCAL YEAR OF JULY 1, 2008 TO JUNE 30, 2009**


Cori Beattie, Deputy County Clerk, read the resolution into the record (see Exhibit A).

**MOTION:** Workman moved and Beutler seconded to approve the resolution in the matter of approving the budget for the Lancaster County Correctional Facility Joint Public Agency (JPA) for the fiscal year of July 1, 2008 to June 30, 2009. Beutler, Eschliman, Workman and Heier voted aye. Motion carried.

Scott Keene, Ameritas Investment Corporation, appeared and said he and Wismer are in the process of drafting the necessary documents and will bring back a plan to forward the documents to the rating agencies. He said they should have the ratings by the third or fourth week of October and will go to market shortly thereafter. Keene noted a resolution authorizing issuance of the bonds will need to be approved by the Lancaster County Correctional Facility JPA, City Council and County Board of Commissioners.

**4 ADJOURNMENT**

**MOTION:** Eschliman moved and Workman seconded to adjourn the meeting at 9:16 a.m. Eschliman, Beutler, Workman and Heier voted aye. Motion carried.

  
\_\_\_\_\_  
Dan Nolte  
Lancaster County Clerk



**MINUTES**  
**LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY (JPA)**  
**COUNTY-CITY BUILDING, ROOM 112**  
**555 SOUTH 10<sup>TH</sup> STREET**  
**TUESDAY, DECEMBER 30, 2008**  
**8:30 A.M.**

Present: Bernie Heier, Chair; Robin Eschliman, Vice Chair; Bob Workman and Chris Beutler

Others Present: Ray Stevens, County Commissioner; Kerry Eagan, County Chief Administrative Officer; Dennis Meyer, County Budget & Fiscal Officer; Don Herz, City Finance Director; Tom Fox, Deputy County Attorney; Scott Keene, Ameritas Investment Corporation; Lauren Wismer and Lisa DeBuse, Gilmore & Bell, PC; Trish Owen, Administrative Assistant to the Mayor; Dan Nolte, County Clerk; and Ann Taylor, County Clerk's Office

The location announcement of the Nebraska Open Meetings Act was given and the meeting was called to order at 8:32 a.m.

**AGENDA ITEM**

**1 APPROVAL OF MINUTES OF OCTOBER 14, 2008 MEETING**

**MOTION:** Eschliman moved and Workman seconded approval of the minutes of the October 14, 2008 meeting. Beutler, Eschliman, Workman and Heier voted aye. Motion carried.

**2 ADOPT INTERLOCAL AGREEMENT - Interlocal agreement between the City of Lincoln; the County of Lancaster, Nebraska; and the Lancaster County Correctional Facilities Joint Public Agency (JPA) for the housing of City prisoners**

Tom Fox, Deputy County Attorney, appeared and said the City and County have already approved the agreement.

**MOTION:** Beutler moved and Workman seconded adoption of the interlocal agreement, as described and as executed by the parties. Eschliman, Workman, Beutler and Heier voted aye. Motion carried.



**3. ADOPT RESOLUTION** - Resolution approving the issuance of the Lancaster County Correctional Facility Joint Public Agency (JPA) Building Bonds, in an amount not to exceed \$65,000,000, and related matters

Lauren Wismer, Gilmore & Bell, PC, appeared and said the draft of the resolution, which had been distributed to members of the Lancaster County Correctional Facility Joint Public Agency (JPA) prior to the meeting, has been modified as follows:

- The interest payment date has been changed to June 1, 2009
- Authorization to establish certain terms and provisions in the sale of the bonds and to accept the bid of the purchaser and execute all other documents necessary to effectuate the sale of the bonds to the purchaser has been expanded to include the Vice Chair

Scott Keene, Ameritas Investment Corporation, appeared and gave a brief update on the status of the bond market. He said the bonds will be marketed through a competitive sale and said he expects to go to market the second or third week of January. Keene said the resolution gives the Chair and Vice Chair the ultimate authority to sign off on the financing and said the low responsive bid will be accepted, provided it meets the parameters spelled out in the resolution. He said a key parameter is not to exceed true interest costs and said the JPA needs to set the maximum rate. Keene suggested a rate of 5.75% or 5.8% because it would correspond with the \$5.5 million in annual debt service (the County has allocated \$2 million and the City has allocated \$3.5 million by lending its levy authority).

Beutler asked Keene how many bids are anticipated.

Keene said he would typically expect to see five to six bids but said there may only be three or four bids, with participation by 20 to 25 firms, for this issue, due to competition with other bond issues that will be coming to market.

Workman asked how long the sale can be delayed.

Keene said the resolution allows for sale of the bonds up through June 30, 2009. Further extension would require amendment of the resolution.

Heier asked whether the JPA has the right to reject all bids.

Keene said that is correct, but said it is not advisable unless the bids fail to meet the parameters.

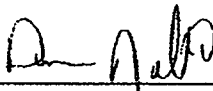
In response to a question from Workman, Keene said the debt could be refinanced if interest rates drop.

Keene asked for an indication of what interest rate the JPA would like to see.

**MOTION:** Workman moved and Eschliman seconded to: 1) Limit the true interest cost to 5.75%, per annum, in the bond resolution; and 2) Seek an interest rate of 5.25%, or less, at the bond sale. Workman, Beutler, Eschliman and Heier voted aye. Motion carried.

#### 4. ADJOURNMENT

**MOTION:** Workman moved and Eschliman seconded to adjourn the meeting at 8:59 a.m. Beutler, Workman, Eschliman and Heier voted aye. Motion carried.

  
\_\_\_\_\_  
Dan Nolte  
Lancaster County Clerk



**MINUTES**  
**LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY (JPA)**  
**COUNTY-CITY BUILDING, ROOM 112**  
**MONDAY, JANUARY 26, 2009**  
**4:45 P.M.**

Present: Bernie Heier, Chair; Robin Eschliman, Vice Chair; Ray Stevens and Chris Beutler

Others Present: Dennis Meyer, County Budget & Fiscal Officer; Don Herz, City Finance Director; Tom Fox, Deputy County Attorney; John Hendry, City Attorney; Scott Keene, Ameritas Investment Corporation; Lauren Wismer and Lisa DeBuse, Gilmore & Bell, PC; Trish Owen, Administrative Assistant to the Mayor; Dan Nolte, County Clerk; and Ann Taylor, County Clerk's Office

The Chair called the meeting to order at 4:50 p.m.

It was noted the meeting is subject to all of the requirements of the Nebraska Open Meetings Act and a copy of the Nebraska Open Meetings Act is located in the back of the meeting room.

**AGENDA ITEM**

**1 APPROVAL OF MINUTES OF DECEMBER 30, 2008 MEETING**

**MOTION:** Stevens moved and Beutler seconded approval of the minutes of the December 30, 2008 meeting. Beutler, Eschliman, Stevens and Heier voted aye. Motion carried.

**2 AMEND BOND RESOLUTION TO PERMIT A NEGOTIATED SALE - Lauren Wismer, Gilmore & Bell, P.C.; Scott Keene, Ameritas Investment Corporation**

Lauren Wismer, Gilmore & Bell, P.C., presented a draft of an amendment of the bond resolution, adopted December 20, 2008, authorizing the issuance of correctional facility bonds not to exceed \$65,000,000 (Exhibit A). He noted the following modifications:

**Paragraph 2** - Inclusion of language to indicate that true interest costs for the bonds that were offered for sale last week were higher than prevailing market conditions and that all bids were rejected.

Scott Keene, Ameritas Investment Corporation, said a competitive sale was held last Thursday and only two bids were received. The low true interest cost bid was at a yield of 4.69%. The second bid was at a true interest cost of 5.11%. He said it was estimated at the time that true interest costs should have been in the range of 4.1% to 4.2%, based on market conditions. Keene said the County Board agreed to reject all of the bids and to start the process to allow for a negotiated sale, as quickly as possible. The Board also agreed to include Ameritas Investment Corporation and a number of other firms as selling group members in the financing.

**Section 211** - Language is amended to provide for the sale of the bonds at a negotiated sale, not later than February 25, 2009, and to indicate the purchase price for the bonds shall not be less than 99% and the underwriting discount shall not exceed 0.75%. Language was also added to indicate that the Chair and Vice Chair, in determining the interest rate, shall consult with, and have the approval of, the City Finance Director.

Wismer said the JPA will need to determine the interest parameter.

Keene said there isn't a lot of activity in the municipal bond market right now and interest rates have continued to rise over the last few days. He said the appropriate true interest cost, at this point, is in the range of 4.31% to 4.35% and suggested a parameter of 4.60%.

Eschliman questioned the need to move forward so quickly.

Keene said the market has changed drastically and said if the interest rate is such that it allows the project to get done at a reasonable cost, it's worth pursuing.

Beutler asked how the underwriting discount rate of 0.75% was derived.

Keene said it is a fairly standard rate for this type of financing. He said eight firms will be participating in the sale of the bonds and said the sales force should be fairly compensated.

Beutler asked how the interest rate is determined.

Keene said the trading desk manages the negotiation process and determines what the appropriate yield should be at the time of release.

Eschliman asked whether the resolution gives latitude for another public offering.

Keene said it does, but said it is not recommended.

Beutler asked whether underwriting discounts are structured along a continuum related to the different interest rates that may evolve.

Keene said they are based on the length and maturity of the bonds.

Beutler asked whether they could be structured to provide an incentive to sell the bonds for the lowest possible interest rate.

Keene said it would be very complex and difficult to manage. He added that the trading desk has a responsibility to do what is right for the client.

**MOTION:** Stevens moved and Eschliman seconded to adopt the amendment to the bond resolution, with insertion of language that the bonds shall not exceed 4.6%, per annum. Eschliman, Stevens, Beutler and Heier voted aye. Motion carried.

### 3 OTHER BUSINESS


Keene said Ameritas Investment Corporation has a financial advisory relationship with the City and County and asked that it be terminated, on a temporary basis, to allow Ameritas to underwrite the bonds (see Exhibit B).

**MOTION:** Stevens moved and Beutler seconded approval of the draft temporary termination agreement. Stevens, Beutler, Eschliman and Heier voted aye. Motion carried.

**NOTE:** A draft bond purchase agreement was also distributed (Exhibit C).

### 4 ADJOURNMENT

**MOTION:** Stevens moved and Eschliman seconded to adjourn the meeting at 5:20 p.m. Beutler, Stevens, Eschliman and Heier voted aye. Motion carried.

  
\_\_\_\_\_  
Dan Nolte  
Lancaster County Clerk



**MINUTES**  
**LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY (JPA)**  
**COUNTY-CITY BUILDING, ROOM 112**  
**TUESDAY, FEBRUARY 10, 2009**  
**8:00 A.M.**

Present: Bernie Heier, Chair; Robin Eschliman, Vice Chair; Ray Stevens and Chris Beutler

Others Present: Dennis Meyer, County Budget & Fiscal Officer; Kristy Bauer, Deputy County Attorney; John Hendry, City Attorney; Scott Keene, Ameritas Investment Corporation; Lauren Wismer and Lisa DeBuse, Gilmore & Bell, PC; Trish Owen, Administrative Assistant to the Mayor; Kerry Eagan, County Chief Administrative Officer; and Cori Beattie, Deputy County Clerk

The Chair called the meeting to order at 8:00 a.m.

The location announcement of the Nebraska Open Meetings Act was given.

**AGENDA ITEM**

**1 APPROVAL OF MINUTES OF JANUARY 26, 2009 MEETING**

**MOTION:** Stevens moved and Eschliman seconded approval of the minutes of the January 26, 2009 meeting. Beutler, Eschliman, Stevens and Heier voted aye. Motion carried.

**2 ELECTION OF RAY STEVENS AS SECRETARY/TREASURER**

**MOTION:** Beutler moved and Eschliman seconded approval of Ray Stevens as Secretary/Treasurer of the Lancaster County Correctional Facility Joint Public Agency (JPA). Eschliman, Stevens, Beutler and Heier voted aye. Motion carried.

**3 DESIGNATION OF LANCASTER COUNTY CLERK AS RECORD KEEPER**

**MOTION:** Stevens moved and Eschliman seconded to designate the Lancaster County Clerk as the record keeper for the Lancaster County Correctional Facility Joint Public Agency (JPA). Stevens, Beutler, Eschliman and Heier voted aye. Motion carried.

**4 ADOPTION OF BYLAWS**

Lauren Wismer, Gilmore & Bell, PC, appeared and stated a draft of the bylaws was previously provided to members of the JPA Board. He pointed out there was a slight inconsistency between the bylaws and the provisions of the JPA Agreement in terms of the notice but now each document accurately reflects the other.

**MOTION:** Eschliman moved and Stevens seconded approval of the Lancaster County Correctional Facility Joint Public Agency (JPA) Bylaws. Beutler, Eschliman, Stevens and Heier voted aye. Motion carried.

(Note: A copy of the approved bylaws is on file in the County Clerk's Office.)

Heier asked Scott Keene, Ameritas Investment Corporation, to comment on the bond sale. Keene noted the bonds were sold on January 27, 2009, with eight firms participating in the sale. He said \$64.5 million in bonds were sold, some with premiums, which allows the \$65 million project to be funded in full. He added the true interest cost ended up being 4.30%.

Stevens inquired as to recent bond market activity. Keene said interest rates have fluctuated in both directions since the bond sale.

Beutler thanked Keene and Wismer for all their work on the project. Heier also thanked all the entities and individuals involved in the cooperative, year-long process.

Wismer said it was suggested by City Attorney John Hendry that counsel be appointed for the JPA. He added he will visit with the City and County Attorneys regarding this issue and make a recommendation at the next meeting.

In response to Stevens' inquiry regarding the number of future meetings, Wismer said the JPA will need to meet periodically during construction of the jail to approve disbursements. When construction is complete, the JPA would need to meet at least once a year to have a budget hearing and certify the levy.

## 5 ADJOURNMENT

**MOTION:** Stevens moved and Beutler seconded to adjourn the meeting at 8:09 a.m. Eschliman, Stevens, Beutler and Heier voted aye. Motion carried.



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Dan Nolte  
Lancaster County Clerk

**BYLAWS OF THE  
LANCASTER COUNTY CORRECTIONAL FACILITIES JOINT PUBLIC AGENCY**

Pursuant to the Joint Public Agency Act (Article 25, Chapter 13, Reissue Revised Statutes of Nebraska, as amended, the "Act"), and the Lancaster County Correction Facilities Joint Public Agency Agreement (the "JPA Agreement") between The County of Lancaster, Nebraska (the "County") and The City of Lincoln, Nebraska (the "City") dated September 9, 2008, creating the Lancaster County Correctional Facilities Joint Public Agency (the "Agency"), the undersigned representatives hereby adopt the Bylaws of the Agency to provide as follows:

**ARTICLE I. PURPOSE**

**Section 1. Purpose.** The purpose or purposes for which the Agency is created are those identified in the JPA Agreement.

**ARTICLE II. OFFICES**

**Section 1. Offices.** The principal office of the Agency will be located at 555 South 10<sup>th</sup> Street, Lincoln, Lancaster County, Nebraska. The Lancaster County Clerk is hereby authorized to accept all correspondence and legal notices on behalf of the Agency.

**ARTICLE III. BOARD OF REPRESENTATIVES**

**Section 1. Eligibility and Authority.** All Agency powers shall be exercised by or under the authority of, and the affairs of the Agency shall be managed under the direction of, its board of representatives.

**Section 2. Number.** The board shall consist of four representatives as set out in the JPA Agreement. The number of representatives of the County and the City may be changed by an amendment of the JPA Agreement and these bylaws, but the total number of representatives shall not be less than three.

**Section 3. Term of Office.** Unless otherwise disqualified by the provisions of the Act, and except as provided herein or any amendment hereto, each representative shall serve for so long as such representative holds the position specified in the JPA Agreement.

**Section 4. Removal of Representatives.** A representative shall automatically be removed when he or she ceases to hold the position specified in the JPA Agreement. A representative may be removed for any cause, at any time, by the governing body of the Participant for which the representative acts. The representative shall receive no compensation for his or her services, but shall be entitled to actual and necessary expenses incurred in the discharge of his or her official duties.

**Section 5. Compensation.** Representatives shall not receive any stated salary for their services as representatives, but, by resolution of the board, a reasonable sum for expenses of attendance, if any, may be allowed for attendance at each regular or special meeting of the board.



## ARTICLE IV. MEETINGS AND NOTICE

**Section 1. Meetings and Notice.** Meetings of the board may be regularly scheduled or called by the chair or any two representatives. Written notice of the meeting and agenda shall be provided to each representative, the City Clerk and the County Clerk by delivery of the same by the Lancaster County Clerk at least seven (7) days prior to each such meeting. The requirement that notice be given to the representatives seven days in advance of the meeting may be waived, provided that the notice and agenda is received by the representative a reasonable time prior to the meeting and the representative executes a waiver in writing which is filed with the minutes of the meeting.

The board shall also give public notice of the meeting pursuant to Section 84-1411, Reissue Revised Statutes of Nebraska, as amended. Public notice shall be given by posting the agenda for the meeting on the official bulletin board of Lancaster County and maintaining an agenda in the office of the County Clerk which shall be available for inspection by the public. All meetings shall be conducted in accordance with the Open Meetings Act (Chapter 84, Article 14, Reissue Revised Statutes of Nebraska, as amended).

**Section 2. Chair.** At all meetings of the board of representatives, the Chair, or in his or her absence or inability, the Vice Chair, or, in both their absence or inability, a Chair chosen by those representatives present shall preside.

**Section 3. Quorum.** A majority of the representatives shall constitute a quorum for the transaction of any Agency business.

## ARTICLE V. VOTING

**Section 1. Voting.** Unless the County and the City approve an amendment to these Bylaws which contain different rules relating to voting by representatives, each representative shall have one vote on matters before the board. Except as may otherwise be provided herein, or 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.

## ARTICLE VI. OFFICERS

**Section 1. 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. The initial treasurer shall be the treasurer of Lancaster County, Nebraska. The officers of the Agency, with the exception of the treasurer, will be elected annually by the board of representatives at the annual meeting of the board of representatives. New offices may be created and filled at any meeting of the board of representatives. Each officer will hold office until his or her successor is qualified and has been duly elected.

**Section 2. Vacancies.** A vacancy in any office because of death, resignation, removal, disqualification or otherwise, shall be filled as provided for by the Act for the unexpired portion of the term.

**Section 3. Chair.** The Chair will be the principal executive officer of the Agency and will in general supervise and control all of the business and affairs of the Agency. He or she will preside at all meetings of the board of representatives. He or she may sign, with the Secretary or any other proper officer of the Agency authorized by the board of representatives, any deeds, mortgages, bonds, contracts

or other instruments which the board of representatives has authorized to be executed, except in cases where the signing and execution thereof is expressly delegated by the board of representatives or by these Bylaws or by statute to some other officer or agent of the Agency; and in general he or she will perform all duties incident to the office of Chair and such other duties as may be prescribed by the board of representatives from time to time.

**Section 4. Vice Chair.** In the absence of the Chair or in the event of his or her inability or refusal to act, the Vice Chair (or in the event there be more than one Vice Chair, the Vice Chairs in the order of their election) will perform the duties of the Chair, and when so acting, will have all the powers of and be subject to all the restrictions upon the Chair. Any Vice Chair will perform such other duties as from time to time may be assigned by the Chair or by the board of representatives.

**Section 5. Treasurer.** The Treasurer shall give a bond for the faithful discharge of his or her duties in such sum and with such surety or sureties as the board of representatives shall determine. The Treasurer will have charge and custody of and be responsible for all funds and securities of the Agency; receive and give receipts for moneys due and payable to the Agency from any source whatsoever, and deposit all such moneys in the name of the Agency in such banks, trust companies or other depositories as are selected by the board of representatives; and in general perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned by the Chair or by the board of representatives.

**Section 6. Secretary.** The Secretary will keep the minutes of the meetings of the board of representatives in one or more books provided for that purpose; see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; be custodian of the corporate records and of the seal of the Agency, if any, and see that the seal of the Agency, if any, is affixed to all documents, the execution of which on behalf of the Agency under its seal is duly authorized in accordance with the provisions of these Bylaws; keep a register of the post-office address of each Director which shall be furnished to the Secretary by such Director; and in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned by the Chair or by the board of representatives.

**Section 7. Removal of Officers.** Any officer elected or appointed by the board of representatives may be removed by the board of representatives whenever in its judgment the best interests of the Agency would be served thereby.

## **ARTICLE VII. TELEPHONIC MEETINGS**

Pursuant to Section 84-1411 Reissue Revised Statutes of Nebraska, as amended, members of the board of representatives may participate in any meeting of such board by means of video conferencing by which all persons participating in the meeting can see and hear each other at the same time. Participation by such method shall be subject to the provisions of these Bylaws for notification of members of the board of such meeting and shall constitute presence in person at the meeting. Written minutes of all actions taken at such meeting shall be circulated to all members of the board.

## **ARTICLE VIII. INVESTMENTS**

Subject to the terms of the JPA Agreement, the Agency shall have the right to retain all or any part of any securities or property acquired by it in whatever manner, and to invest and reinvest any funds held by it, according to the judgment of the board of representatives, provided that such investments are not precluded by any covenants of the Agency made with respect to the issuance of bonds.

## **ARTICLE X. CONTRACTS, CHECKS, DEPOSITS AND FUNDS**

**Section 1. Contracts.** The board of representatives may authorize any officer or officers, agent or agents of the Agency, in addition to the officers so authorized by these Bylaws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Agency, and such authority may be general or confined to specific instances.

**Section 2. Checks, Drafts, and Orders for the Payment of Money.** All checks, drafts, or orders for the payment of money, including requisitions for payment of funds held in trust, notes or other evidences of indebtedness issued in the name of the Agency, shall be signed by the Chair and the treasurer or such other officer, employee, or agent of the Agency as is authorized by the treasurer to sign on his or her behalf, after such payment or evidence of indebtedness has been approved by the Board.

**Section 3. Deposits.** Subject to the terms of the JPA Agreement and the Facilities Agreement between the Agency and the County dated February 5, 2009, all funds of the Agency shall be deposited from time to time to the credit of the Agency in such banks, trust companies or other depositories as the board of representatives may select.

**Section 4. Gifts.** The board of representatives may accept on behalf of the Agency any contribution, gift, bequest or devise for the general purpose or for any special purpose of the Agency.

## **ARTICLE XIII. BOOKS AND RECORDS**

The Agency shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of its board of representatives and committees having any of the authority of the board of representatives.

## **ARTICLE XIV. FISCAL YEAR**

The fiscal year of the Agency coincide with the fiscal year of the County.

## **ARTICLE XVII. AMENDMENTS TO BYLAWS**


These Bylaws may be altered, amended or repealed and new Bylaws may be adopted by a majority of the representatives in office at the time the amendment is adopted, at any regular meeting or at any special meeting; provided that any amendment affecting the number of representatives or the voting thereof shall first be approved by the governing bodies of both the County and the City as evidenced by resolutions thereof.

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

The foregoing Bylaws are hereby approved and adopted by the board of representatives of Lancaster County Correctional Facilities Joint Public Agency effective February 20, 2009.

  
\_\_\_\_\_  
Chair and Representative

  
\_\_\_\_\_  
Vice Chair and Representative

  
\_\_\_\_\_  
Secretary and Representative

  
\_\_\_\_\_  
Representative

**AUTHENTICATION ORDER**

**\$64,390,000**

**Lancaster County Correctional Facility Joint Public Agency  
Correctional Facility Bonds, Series 2009**


**Dated: date of delivery  
(February 12, 2009)**

Wells Fargo Bank, National Association  
Lincoln, Nebraska

As Paying Agent pursuant to the Bond Resolution dated December 30, 2008 duly adopted and approved by the Board of Lancaster County Correctional Facility Joint Public Agency authorizing and providing for the issuance of the above-referenced bonds (the "**Bonds**"), you are hereby authorized and directed to authenticate and deliver the Bonds to or upon the order of Ameritas Investment Corp., the underwriter thereof.

Such authentication and delivery shall be accomplished by the affixing of the manual signature of one of your authorized officers or employees by such officer or employee upon the Certificate of Authentication on each of the Bonds. It shall not be necessary that the same officer or employee sign the Certificate of Authentication on all of the Bonds.

**DATED:** February 12, 2009.

  
\_\_\_\_\_  
Chair, Lancaster County  
Correctional Facility Joint Public Agency

**CLOSING CERTIFICATE  
THE COUNTY OF LANCASTER, NEBRASKA**

**\$64,390,000**

**Lancaster County Correctional Facility Joint Public Agency  
Correctional Facility Bonds, Series 2009**

**Dated: date of delivery  
(February 12, 2009)**

We, **BERNIE HEIER** and **DAN NOLTE**, do hereby certify that we are the Chair of the Board of Commissioners (the "**Board**") and Clerk, respectively, of The County of Lancaster, Nebraska (the "**County**"), and being duly sworn under oath, do hereby certify, represent, agree, covenant and warrant as follows:

1. **Meaning of Words and Terms.** Capitalized words and terms used herein, unless otherwise defined herein or the context requires otherwise, shall have the same meanings ascribed to such words and terms in the Joint Public Agency Agreement Creating the Lancaster County Correctional Facility Joint Public Agency dated October 16, 2000 (the "**JPA Agreement**"), duly executed and delivered by the County in connection with the issuance of the above-referenced bonds (the "**Bonds**") by the Lancaster County Correctional Facility Joint Public Agency (the "**Agency**").

2. **Organization and Authority.** The County is a county and political subdivision of the State of Nebraska (the "**State**"), duly organized and validly existing under the laws of the State. The County has complied with all provisions of the Constitution and the laws of the State of Nebraska, and has full power and authority to consummate all transactions contemplated by the JPA Agreement and any and all other agreements relating thereto.

3. **Transcript of Proceedings.** The transcript of proceedings (the "**Transcript**") relating to the authorization and issuance of the Bonds furnished to Ameritas Investment Corp., the purchaser of the Bonds (the "**Purchaser**") is to the best of our knowledge, information and belief full, true, correct and complete; none of such proceedings has been modified, amended or repealed; and such facts as are stated in the Transcript still exist.

4. **Meetings; Notice and Agenda; Minutes.**

(a) Each meeting of the Board at which action was taken relating to the Bonds and the execution and delivery of the JPA Agreement and any related documents, was at all times open to the public and was preceded by advance publicized notice duly given pursuant to and in compliance with the provisions of the Open Meetings Act, Chapter 84, Article 14, Reissue Revised Statutes of Nebraska, as amended; all of the subjects considered and acted on were contained in the agenda for each such meeting, which agenda was kept continuously current and available for public inspection at the office of the Board; such subjects were contained in the agenda for at least 24 hours prior to such meeting; at the beginning of each meeting, the public was informed of the location of at least one posted current copy of the Open Meetings Act available and accessible to the public in the room in which each meeting was held; at least one copy of all resolutions and other reproducible written materials, for which actions were shown in such proceedings, was made available for examination and copying by the members of the public at the meeting or meetings in which such actions were taken; the minutes of each meeting of the Board, all or a portion of which are included in the Transcript were, in accordance with standard practice,

in written form and available for public inspection within 10 working days and prior to the next convened meeting of the Board; and all news media requesting notification of each such meeting of the Board were provided with advance notice of the time and place of such meeting and the subjects to be discussed thereat.

(b) Notices of the meetings of the Board duly held on September 9, 2008, December 9, 2008, and February 10, 2009 in the form of the respective agendas for each of such meetings attached hereto as **Exhibit A**, were posted on the official bulletin board of the County in the County-City Building, 555 South 10th Street, Lincoln, Nebraska, under the heading of "PUBLIC NOTICE OF MEETING," more than 24 hours before each such meeting. Such notices (in the form of the respective agendas for each of such meetings) were on file in the Clerk's office on September 5, 2008, December 9, 2008 and February 6, 2009.

(c) Attached hereto as **Exhibit B** are full, true, correct and complete copies of the minutes of the legally convened meetings of the Board duly called and held on September 9 and December 9, 2008, which minutes reflect all actions taken in connection with the approval of the issuance of the Bonds.

(d) Attached hereto as **Exhibit C** is the Resolution authorizing the execution and delivery of the JPA Agreement adopted by the County on December 9, 2008, and attached hereto as **Exhibit D** is the Resolution approving issuance of the Bonds adopted by the County on December 9, 2008, neither of which have been modified, amended, or rescinded and each of which is in full force and effect on the date hereof.

5. **Incumbency of Officers.** The following named persons were and are as indicated the duly qualified and acting members and officials of the County at all times during which such persons participated in the proceedings approving the issuance of the Bonds as shown in the Transcript:

<u>Name</u>	<u>Title</u>
Bernie Heier	Chair (from and after January 6, 2009)
Larry Hudkins	Member
Debra Schorr	Member
Ray A. Stevens	Member
Bob Workman	Member (chair through and including January 5, 2009)
Gary Lacey	Attorney
Dan Nolte	Clerk

6. **Execution of Documents.** The JPA Agreement, the Facilities Agreement dated February 5, 2009 between the County and the Agency (the "**Facilities Agreement**") and the Site Lease dated February 5, 2009 between the County and the Agency (the "**Site Lease**", and, together with the JPA Agreement and the Facilities Agreement, the "**Agreements**") have been executed and delivered in the name and on behalf of the County by its duly authorized officers, pursuant to and in full compliance with the resolutions passed by the Board; the copies of the Agreements contained in the Transcript are true, complete and correct copies or counterparts of the Agreements as executed and delivered by the Board and are in substantially the same form and text as the copies of the Agreements that were before and approved by the Board; and the Agreements have not been amended, modified or rescinded and is in full force and effect as of the date hereof.

All of the respective provisions, terms, conditions, form and content of the Agreements, the Official Statement, and of all other documents executed by the Board, including, without limitation,

those executed on behalf of the Board by the undersigned, in connection with authorization, issuance, and sale of the Bonds are hereby approved, ratified, and finalized.

7. **Preliminary Official Statement and Official Statement.** The Preliminary Official Statement and the Official Statement contained in the Transcript constitute full, true and correct copies of the Preliminary Official Statement and Official Statement relating to the Bonds. To the best of our knowledge, the information contained in the Preliminary Official Statement and in the Official Statement relating to the County and in Appendices A and B is true in all material respects and does not contain any untrue statement of a material fact or omit any material fact (except for the omission of such information in the Preliminary Official Statement as is permitted by Rule 15c2-12(b)(1) of the Securities and Exchange Commission) necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. As of this date there has been no material adverse change in the financial condition or the financial affairs of the County since the date of the issuance of the Preliminary Official Statement or the Official Statement, and no other event has occurred which is necessary to be disclosed in the Preliminary Official Statement or the Official Statement in order to make the statements therein not misleading in any material respect as of the date hereof. The Board has heretofore caused to be delivered to the Purchaser copies of the Preliminary Official Statement. For the purpose of enabling the Purchaser to comply with the requirements of Rule 15c2-12(b)(1) of the Securities and Exchange Commission, the County hereby deems the information regarding the County contained in the Preliminary Official Statement to be "final" as of its date, except for the omission of such information as is permitted by Rule 15c2-12(b)(1), such as offering prices, interest rates, selling compensation, aggregate principal amount, principal per maturity, delivery dates, ratings, identity of the Purchasers and other terms of the Bonds depending on such matters.

8. **Representations and Warranties.** The County has duly performed all of its obligations required to be performed at or prior to the date of this Closing Certificate by the Agreements and each of the Board's representations and warranties contained in the Agreements are true as of the date hereof. The Board has authorized, by all necessary action, the execution, delivery or receipt and due performance of the Agreements and any and all such other agreements and documents as may be required to be executed, delivered and received by the County in order to carry out, give effect to and consummate the transactions contemplated by the Agreements and the Official Statement. All acts, conditions and things required by the terms and provisions of the Constitution and laws of the State of Nebraska to be performed, exist or be completed by the County or others on or prior to the date hereof in order to cause the Agreements to be the valid, binding and enforceable obligations of the County, have been duly performed, undertaken and completed, and the County has undertaken, and does hereby further undertake, to hereafter perform, cause to exist and complete all further and additional acts, conditions and things as may be necessary in order to assure that the Agreements are valid and binding obligations of the County as provided for in and contemplated by the Agreements and the Official Statement. The adoption, execution, delivery, receipt and due performance of the Agreements and any other agreements contemplated thereby under the circumstances contemplated thereby and compliance by the County with the provisions thereof will not conflict with or constitute on the part of the County, a breach of or a default under any existing law, court or administrative regulation, decree or order or any resolution, agreement, indenture, mortgage, lease or other instrument to which the County is subject or by which it is bound.

9. **Non-Litigation.** There is no litigation, suit or other proceeding of any kind pending, or to our knowledge threatened, (a) seeking to restrain or enjoin the issuance or delivery of the Bonds, or (b) contesting, disputing or affecting in any way (1) the legal organization of the County, (2) the right or title of any of its officers to their respective offices, (3) the legality of any of its official acts shown to





**AGENDA**  
**LANCASTER COUNTY BOARD OF COMMISSIONERS**  
**TUESDAY, SEPTEMBER 9, 2008**  
**COUNTY COMMISSIONERS HEARING ROOM, ROOM 112**  
**FIRST FLOOR, COUNTY-CITY BUILDING**  
**9:30 A.M.**

*Location Announcement of Nebraska Open Meetings Act: A copy of the Nebraska Open Meetings Act is located on the wall at the rear of the Hearing Room.*

- 1) **MINUTES:** Approval of the Minutes of the Board of Commissioners meeting held on Tuesday, September 2, 2008. (A copy of these minutes is on file in the office of the Lancaster County Clerk or can be accessed at <http://www.lancaster.ne.gov>).
- 2) **CLAIMS:** Approval of all claims processed through Tuesday, September 9, 2008.
- 3) **SPECIAL PRESENTATIONS:**
  - A. (1) Award of bid, pursuant to Specification No. 08-115, to Prudential Retirement Insurance and Annuity Company for provision of bundled retirement services including record keeping/administration, communication/education, and custodial trustee services, and unbundled investment management services for the Lancaster County, Nebraska Employees 401(a) Retirement and 457 Deferred Compensation plans; and (2) Introduction of John Byrne, Prudential Vice President of Tax Exempt Retirement Plans.
- 4) **PUBLIC HEARINGS:**
  - A. County Special Permit No. 08030, Sagebrook Estates Community Unit Plan, requested by Jonathan Felts on behalf of F.R. Holdings, L.L.C., for authority to develop nine residential acreage units, with requests to waive sidewalks, cul-de-sac length and block length, on property generally located at North 176<sup>th</sup> and Holdrege Streets, Lancaster County, Nebraska. (See New Business Item 5A for correlating documentation.)

**IF YOU ARE HERE TO PARTICIPATE ON AN ITEM AND NEED SPECIAL CONSIDERATION BECAUSE OF A SCHEDULE CONFLICT OR SOME OTHER PROBLEM, PLEASE LET THE CLERK KNOW PRIOR TO THE MEETING SO WE MAY ACCOMMODATE YOUR NEEDS.**

4) **PUBLIC HEARINGS CONTINUED:**

- B. Amendment of fees relating to the following resolutions: (See New Business Items 5B through 5E for correlating documentation.)
1. Resolution No. R-03-0007 in the matter of amending Sections VI, IX, XV and XXIX relating to the regulations for the operation of body art and piercing establishments in Lancaster County, Nebraska.
  2. Resolution No. R-02-0030 in the matter of amending Section XIII relating to on-site waste water treatment systems.
  3. Resolution No. 5069 in the matter of amending Section 13 relating to air pollution control adopted November 16, 1993.
  4. Resolution No. 5066 in the matter of amending Article 1, Section 6, and Article 2, Section 30 of the Lincoln-Lancaster County Air Pollution Control Program Regulations and Standards.

5) **NEW BUSINESS:**

- A. A resolution in the matter of County Special Permit No. 08030, Sagebrook Estates Community Unit Plan, requested by Jonathan Felts on behalf of F.R. Holdings, L.L.C., on property generally located at North 176<sup>th</sup> and Holdrege Streets in Lancaster County, Nebraska. (R-08-0074)
- B. A resolution amending Sections VI, IX XV and XXIX of County Resolution No. R-03-0007, Regulations for the Operation of Body Art and Piercing Establishments. The amendment increases various fees for the operation of body art and piercing establishments as provided in Attachment A. (R-08-0068)
- C. A resolution amending Section XIII of County Resolution No. 02-30, Procedures for the Regulation of On-Site Wastewater Treatment Systems. The amendment increases various fees for on-site wastewater treatment permits as provided in Attachment A. (R-08-0070)
- D. A resolution in the matter of amending Resolution No. 5069, the Lancaster County Air Pollution control Resolution of 1993, to increase the fee for open burning permits as provided in Attachment A. (R-08-0071)
- E. A resolution amending Article 1, Section 6, and Article 2, Section 30 of the Lincoln-Lancaster County Air Pollution Control Program Regulations and Standards. The amendments increase the notification fees for the National Emissions Standards for Hazardous Air Pollutants asbestos projects, as provided in Attachment A, and increases the fees associated with construction permits, as provided in Attachment B. (R-08-0067)

5) **NEW BUSINESS CONTINUED:**

- F. A resolution in the matter of authorizing the installation of a "Watch for Stopped Vehicles" sign on Saltillo Road, 600 feet east of South 54<sup>th</sup> Street for westbound traffic. (R-08-0072)
- G. A resolution in the matter of County Board of Zoning Appeals, Appeal No. 08002, requested by Countryside Alliance Church, for a variance of the zoning resolution to allow a fourteen by five by ten foot sign, within the required front yard, on property located at 24005 South 12<sup>th</sup> Street, Princeton, Lancaster County, Nebraska. (R-08-0073)
- H. A resolution in the matter of determining the need for the creation of a Joint Public Agency, pursuant to Neb. Rev. Stat. § 13-2501 et.seq. (Cum. Supp. 2006), to facilitate acquiring, constructing, equipping, furnishing and financing correctional facilities for the benefit of the residents of Lancaster County, and approving the agreement for creation of the Joint Public Agency. The participants in the Joint Public Agency will be Lancaster County and the City of Lincoln. (R-08-0075)
- I. An application for a Special Designated License from Ken's Liquor Inc. to provide liquor beverage service for a wedding reception on Saturday, September 27, 2008 from 4 p.m. to 1 a.m. at Country Pines, located at 6305 West Adams Street, Lancaster County, Nebraska.
- J. An addendum to a contract between Lancaster County and Bob Barker Company, found under County Contract No. C-07-0367, for the purchase of corrections staff clothing, inmate clothing and accessories on an as-needed basis by the Lancaster County Corrections Department, Youth Service Center and the Community Mental Health Center. The addendum renews the contract for an additional one-year term beginning September 18, 2008. (C-08-0467)
- K. An addendum to the contract between Lancaster County and Robinson Textile, found under County Contract No. C-07-0368, for the purchase of corrections staff clothing, inmate clothing and accessories on an as-needed basis by the Lancaster County Corrections Department, Youth Service Center and the Community Mental Health Center. The addendum amends the agreement to reflect a four percent price increase for all items and renews the contract for an additional one-year term. (C-08-0468)

5) **NEW BUSINESS CONTINUED:**

- L. An addendum to a contract between Lancaster County and Shoe Corporation of Birmingham, Inc., found under County Contract No. C-07-0369, for the purchase of corrections staff clothing, inmate clothing and accessories on an as-needed basis by the Lancaster County Corrections Department, Youth Service Center and the Community Mental Health Center. The addendum renews the contract for an additional one-year term beginning September 18, 2008. (C-08-0469)
- M. An acceptance of proposal and agreement with the Lincoln League of Women Voters to assist with voter registration sites and provide election night workers in Lancaster County. The County will pay up to \$2,500 to the League for the services provided. Term of the agreement is from September 1, 2008 to August 31, 2009. (C-08-0470)
- N. A contract between Lancaster County and Windstream Communications for a digital mobility system, including cabling and installation. The contract will begin at the time of execution and the work will be completed by September 30, 2008. Cost to the County is \$7,493. (C-08-0471)
- O. A Prevention Coalition contract for behavioral health services between the Regional Behavioral Health Authority (Region V) and Lancaster County, on behalf of the Lincoln/Lancaster County Substance Abuse Action Coalition. Region V will pay the County \$133,700 to implement Region V substance abuse prevention plan and to provide substance abuse prevention services through subcontractors. Term of the agreement is from July 1, 2008 through June 30, 2009. (C-08-0472)
- P. An agreement between Lancaster, on behalf of the Youth Services Center, for the provision of detention services for youth committed to, or placed with the State's Office of Juvenile services. The County will be paid \$236 per youth, per day. Term of the agreement is September 1, 2008 through August 31, 2009. (C-08-0473)
- Q. Partial Waiver of Right of Subrogation against benefits or final lump sum settlement paid to Erin Saunders under Workers' Compensation Court case found at Docket 207, Page 2150. (C-08-0474)
- R. A political subdivision tort claim filed against the Lancaster County Corrections Department by Kathryn C. Smith, in the amount of \$100,000 for alleged failure to provide appropriate medical care and alleged violation of Constitutional rights.

5) **NEW BUSINESS CONTINUED:**

- S. A political subdivision tort claim filed against Lancaster County and the Lancaster County Corrections Department by LaDonna Pettit, Special Administrator for the estate of her mother, Dixie Eggers, in the amount of \$1,000,000 for the alleged violation of the Constitutional rights of Dixie Eggers.
- T. Appointment of Dr. Karla K. Lester to the Lincoln-Lancaster County Board of Health for a term expiring April 15, 2010 (completing Debra A. Humphrey' unexpired term).
- U. Appointments and reappointment of the following individuals to the Air Pollution Control Advisory Board:
  - \* David P. Skipton, term to expire September 1, 2011 (reappointment)
  - \* Jeffrey Tomhave, term to expire November 1, 2010 (new appointment)
  - \* Wilbur "Bud" Dasenbrock, term to expire November 1, 2010 (new appointment)

6) **CONSENT ITEMS:** *These are items of business that are routine which are expected to be adopted without dissent. Any individual item may be removed for special discussion and consideration by a Commissioner or by any member of the public without prior notice. Unless there is an exception, these items will be approved as one with a single vote of the Board of Commissioners. These items are approval of:*

- A. Receive and Place on File:
  - 1. County Clerk's Monthly Report for August, 2008.
  - 2. Clerk of the District Court's Monthly Report for August, 2008.
  - 3. County Assessor/Register of Deeds Monthly Report for August, 2008.
- B. Setting of a public hearing for Tuesday, September 16, 2008 at 9:30 a.m. in the County Commissioners Hearing Room, Room 112, on the first floor of the County-City Building regarding amending Section X of County Resolution No. R-06-0005, procedures for the inspection of on-site water supply systems and on-site wastewater treatment systems prior to the sale, transfer or conveyance of property. The amendment increases fees for evaluation and review of property transfer inspector reports and necessary site visits by the Health Director as provided in Attachment A.

**7) EMERGENCY ITEMS AND OTHER BUSINESS:**

**8) ANNOUNCEMENTS:**

- A. The Lancaster County Board of Commissioners will hold a Staff Meeting on Thursday, September 11, 2008 beginning at 8:30 a.m. in Room 113 on the first floor of the County-City Building.
- B. A public hearing will be held on Tuesday, September 16, 2008 at 9:30 a.m. in the County Commissioners Hearing Room, Room 112, on the first floor of the County-City Building regarding Comprehensive Plan Amendment No. 08015, by the Director of Planning, to amend the "Community Facilities" chapter of the 2030 Lincoln-Lancaster County Comprehensive to reflect the need and intent of Lancaster County to construct a new adult corrections facility in the area of Southwest 40th Street and West O Street.
- C. A public hearing will be held on Tuesday, September 23, 2008 at 9:30 a.m. in the County Commissioners Hearing Room, Room 112, on the first floor of the County-City Building regarding a request to vacate a portion of West Simon Street abutting Lot 10, block 1 and Lot 1, Block 2 of Werger's Addition to Martell, Lancaster County, Nebraska.
- D. A public hearing will be held on Tuesday, September 30, 2008 at 9:30 a.m. in the County Commissioners Hearing Room, Room 113, on the first floor of the County-City Building regarding a request to vacate a portion of Southwest 86<sup>th</sup> Street between West Saltillo Road and West Bennet Road, and regarding the vacation or abandonment of a portion of West Saltillo Road between Southwest 84<sup>th</sup> Street and Southwest 86<sup>th</sup> Street, such portions running from the southwest corner of Section 2, Township 8 North, Range 5 East to the northwest corner of said Section 2 and from the southwest corner of Section 35, Township 9 North, Range 5 East to the northwest corner of said Section 2, Lancaster County, Nebraska.
- E. The Lancaster County Board of Commissioners meeting is broadcast live at 9:30 a.m. on Tuesdays and rebroadcast at 1:30 p.m. and 6:30 p.m., as well as on Saturday afternoon on 5 City-TV, Cable Channel 5. In addition, this meeting may be viewed on Nebraska On Demand Time Warner Channel 101 and is available on the Internet 24 hours a day at <http://www.lancaster.ne.gov>. Click on 5 City-TV Video On Demand.

9) **ADJOURNMENT:**

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**AGENDA**  
**LANCASTER COUNTY BOARD OF COMMISSIONERS**  
**TUESDAY, DECEMBER 9, 2008**  
**COUNTY COMMISSIONERS HEARING ROOM, ROOM 112**  
**FIRST FLOOR, COUNTY-CITY BUILDING**  
**9:30 A.M.**

*Location Announcement of Nebraska Open Meetings Act: A copy of the Nebraska Open Meetings Act is located on the wall at the rear of the Hearing Room.*

- 1) **MINUTES:** Approval of the Minutes of the Board of Commissioners meeting held on Tuesday, December 2, 2008. (A copy of these minutes is on file in the office of the Lancaster County Clerk or can be accessed at <http://www.lancaster.ne.gov>).
- 2) **CLAIMS:** Approval of all claims processed through Tuesday, December 9, 2008.
- 3) **PUBLIC HEARINGS:**
  - A. County Board of Zoning Appeals, Appeal No. 08003, requested by Nicholas Zobel, for a variance of the side yard setback to allow construction of a building, on property located at 13000 North 14<sup>th</sup> Street, Lancaster County, Nebraska. (See New Business Item 5A for correlating documentation.)
  - B. Correction of a clerical error found in County Special Permit No. 07033. County Special Permit No. 07033 allows the permittee the authority to do mining and extraction of soil on property generally located on the east side of North 56<sup>th</sup> Street/Highway 77, between Branched Oak Road and Davey Road in Lancaster County, Nebraska. The correction would delete condition 2.1.3 in its entirety from Special Permit No. 07033. The language of condition 2.1.3, that is proposed to be deleted states "Access to Branched Oak Road shall meet the conditions of the County Engineer's August 8, 2007 letter and shall have approval of the County Engineer." (See New Business Item 5B for correlating documentation.)

**IF YOU ARE HERE TO PARTICIPATE ON AN ITEM AND NEED SPECIAL CONSIDERATION BECAUSE OF A SCHEDULE CONFLICT OR SOME OTHER PROBLEM, PLEASE LET THE CLERK KNOW PRIOR TO THE MEETING SO WE MAY ACCOMMODATE YOUR NEEDS.**

4) **OLD BUSINESS:**

- A. A subdivision agreement between Lancaster County and Pendel, Inc. regarding County Final Plat No. 08041, Parkland Estates Addition, on property generally located at Northwest 118<sup>th</sup> Street and West Fletcher Avenue. (C-08-0614)

5) **NEW BUSINESS:**

- A. A resolution approving County Board of Zoning Appeals, Appeal No. 08003, requested by Nicholas Zobel, for a variance of Section 4.017(d) of the Lancaster County Zoning Resolution for property located at 13000 North 14<sup>th</sup> Street, Raymond, Lancaster County, Nebraska. (R-08-0110)
- B. A resolution in the matter of County Special Permit No. 07033, requested by Mark Hunzeker on behalf of Greg Sanford, for authority to do mining and extraction of soil on approximately 159.39 acres, more or less, generally located on the east side of North 56<sup>th</sup> Street/Highway 77 between Branched Oak Road and Davey Road in Lancaster County, Nebraska. The resolution rescinds Resolution No. R-07-0089. (R-08-0104)
- C. A resolution approving the issuance of the Lancaster County Correctional Facility Joint Public Agency Building Bonds, in an amount not to exceed \$65,000,000; and related matters. (R-08-0105)
- D. A resolution in the matter of Comprehensive Plan Conformance No. 08024: Adopting the One and Six-Year Road and Bridge Construction Program for Lancaster County, Fiscal Years 2009 and 2010-2014. (R-08-0106)
- E. A resolution in the matter of County Change of Zone No. 08038 from Agriculture (AG) to Agriculture Residential (AGR) requested by Jerry and Karen Fletcher on property, approximately 80-acres more or less, generally located to the north of the interchange of South 162<sup>nd</sup> Street and Highway 2, Lancaster County, Nebraska. (R-08-0107)
- F. A resolution in the matter of instituting eminent domain proceedings against JSM Farms, L.L.C., Project No. C55-F-406(1), Tract No. 6 (Alvo Road between North 1<sup>st</sup> and North 14<sup>th</sup> Streets) and replacing and rescinding County Resolution No. R-08-0098. (R-08-0108)
- G. A resolution in the matter of instituting eminent domain proceedings against Jon C. and Sharon S. Mumgaard, Project No. C55-F-406(1), Tract No. 7 (Alvo Road between North 1<sup>st</sup> and North 14<sup>th</sup> Streets) and replacing and rescinding County Resolution No. R-08-0099. (R-08-0109)

5) **NEW BUSINESS CONTINUED:**

- H. A resolution in the matter of relaxing the design loading standards for Lancaster County Bridge No. S-26 State Structure No. C005503105; Project No. C55-S-401(6), Hickman Viaduct. (R-08-0111)
- I. A resolution in the matter of relaxing the Bridge Design Loading Standards for Project No. BR-3340(7), Waverly Southeast. The bridge is located on Fletcher Avenue between North 162<sup>nd</sup> and North 176<sup>th</sup> Streets. (R-08-0112)
- J. A resolution in the matter of authorizing the County Clerk to issue payments while the County Board is adjourned. (R-08-0113)
- K. Agreements with Lincoln Surgery Center - Endoscopy and UNMC Physician's to provide specialized medical care and assistance to Lancaster County General Assistance clients who have pending claims with the Social Security Administration and may be eligible for retroactive Medicaid benefits. The agreements set forth a reimbursement arrangement in which the County will provide payment for the medical care and Lincoln Surgery Center - Endoscopy and UNMC Physician's will reimburse the County if/when the General Assistance client is later determined eligible for Medicaid reimbursement. The agreements are effective upon execution of both parties and contain a 30-day termination provision. (C-08-0648) (C-08-0654)
- L. An interlocal agreement with York County for the safekeeping, care and sustenance of juveniles while at the Youth Services Center. Lancaster County will be reimbursed \$236 per youth, per day. The agreement is effective upon execution and has a 30-day termination provision. (C-08-0649)
- M. An agreement with Maxim Healthcare Services, Inc. d/b/a Maxim Staffing Solutions for healthcare staffing services at Lancaster Manor. Term of the agreement is for a one-year period and will renew automatically, unless terminated at any time by giving 30 days notice. The County will pay for services pursuant to the rates in Attachment "A", ranging from \$25 to \$50 per hour. Also attached to the agreement is a Business Association Agreement with Maxim to comply with Health Insurance Portability and Accountability Act (HIPAA) regulations. (C-08-0650)
- N. An amendment to a contract with American Sanitary Inc. d/b/a AmSan Nebraska, found at County Contract No. C-08-0282, to provide and deliver custodial supplies and hard goods to various departments of the County and the City of Lincoln. The amendment renews the contract for an additional one-year term between October 13, 2008 and October 12, 2009. (C-08-0651)

5) **NEW BUSINESS CONTINUED:**

- O. An amendment to the agreement between Lancaster County and L.A. Young, found at County Contract No. C-08-0371, for the service of a nurse practitioner at the Lancaster County Community Mental Health Center. The amendment changes the total hours worked per week from a maximum of 32 hours per week to a maximum of 36 hours per week. The rate for services is \$65 per hour. (C-08-0652)
- P. Internet Crimes Against Children grant application from Lancaster County to the Nebraska State Patrol providing for payment of \$10,000 to Lancaster County. (C-08-0655)
- Q. Reconsideration of an award of bid for rock hauling to County stockpiles, in the total amount of \$590,129.20, for fiscal year 2009 to Husker Trucking, Hiskey Trucking, Westover Trucking and Buel Trucking found at County Bid No. (B-08-0053).
- R. Recommendation from the Purchasing Agent and the Lancaster County Engineering Department to award a bid for rock hauling to County stockpiles, in the total amount of \$590,485.20, for fiscal year 2009 to Husker Trucking, Hiskey Trucking, Kerford Limestone, Westover Trucking and Buel Trucking. (B-08-0054)
- S. Appointment of Dr. Sanat Roy as the Medical Director of the Community Mental Health Center, with an annual salary of \$197,600, effective December 4, 2008.
- T. Election of Lancaster County Board officers, effective January 1, 2009.

6) **CONSENT ITEMS:** *These are items of business that are routine which are expected to be adopted without dissent. Any individual item may be removed for special discussion and consideration by a Commissioner or by any member of the public without prior notice. Unless there is an exception, these items will be approved as one with a single vote of the Board of Commissioners. These items are approval of:*

- A. Receive and Place on File:
  - 1. Clerk of the District Court's Monthly Report for November, 2008.
  - 2. County Clerk's Monthly Report for November, 2008.
  - 3. Records and Information Management's Monthly Report for November, 2008.
  - 4. County Assessor/Register of Deeds Monthly Report for November, 2008.

6) **CONSENT ITEMS CONTINUED:**

- B. A right-of-way contract relating to road improvements between the Lancaster County Engineering Department and John and Linda Munn, in the amount of \$119, on Bluff Road between North 148<sup>th</sup> to North 190<sup>th</sup> Street; Project C55-H-402(1). (C-08-0653)

7) **PENDING:**

- A. A resolution in the matter of County Change of Zone No. 08050, requested by Michael and Judith Rosecrans, to change the zoning on 8.84 acres, more or less, from AG Agricultural to B Business on property generally located one-half mile south of the corner of Hickman Road and Homestead Expressway/Highway 77 in Lancaster County, Nebraska. (R-08-0093) (Item placed on pending on November 4, 2008.)

8) **EMERGENCY ITEMS AND OTHER BUSINESS:**

9) **ANNOUNCEMENTS:**

- A. The Lancaster County Board of Commissioners will not hold a Staff Meeting on Thursday, December 11, 2008 due to the annual meeting of the Nebraska Association of County Officials (NACO) at the Cornhusker Marriott, located at 333 South 13<sup>th</sup> Street, Lincoln, Nebraska beginning on December 10, 2008 and ending on December 12, 2008.
- B. A public hearing will be held on Tuesday, December 16, 2008 at 9:30 a.m. in the County Commissioners Hearing Room, Room 112, on the first floor of the County-City Building regarding County Special Permit No. 08047, requested by Seeds of Life, for a garden center, on property generally located at South 148<sup>th</sup> Street and Old Cheney Road in Lancaster County, Nebraska.
- C. The Lancaster County Board of Commissioners meeting is broadcast live at 9:30 a.m. on Tuesdays and rebroadcast at 1:30 p.m. and 6:30 p.m., as well as on Saturday afternoon on 5 City-TV, Cable Channel 5. In addition, this meeting may be viewed on Nebraska On Demand Time Warner Channel 101 and is available on the Internet 24 hours a day at <http://www.lancaster.ne.gov>. Click on 5 City-TV Video On Demand.

10) **ADJOURNMENT:**

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**AGENDA**  
**LANCASTER COUNTY BOARD OF COMMISSIONERS**  
**TUESDAY, FEBRUARY 10, 2009**  
**COUNTY COMMISSIONERS HEARING ROOM, ROOM 112**  
**FIRST FLOOR, COUNTY-CITY BUILDING**  
**9:30 A.M.**

*Location Announcement of Nebraska Open Meetings Act: A copy of the Nebraska Open Meetings Act is located on the wall at the rear of the Hearing Room.*

1) **MINUTES:** Approval of the Minutes of the Board of Commissioners meeting held on Tuesday, February 3, 2009. (A copy of these minutes is on file in the office of the Lancaster County Clerk or can be accessed at <http://www.lancaster.ne.gov>).

2) **CLAIMS:** Approval of all claims processed through Tuesday, February 10, 2009.

3) **SPECIAL PRESENTATIONS:**

A. A one-time cash award, in the amount of \$100.00, for Clarence Wolfe, an employee at Lancaster Manor, due to exceptional circumstances.

B. Presentation of Lancaster County Sheriff's Awards - Terry Wagner, Lancaster County Sheriff:

Deputy Sheriff of the Year: Deputy Barry Barnett

Exceptional Duty Award: Deputy Kirk Price

Exceptional Duty Award: Sgt. Andrew Stebbing

Civilian Employee of the Year: Brigitte Probert

4) **NEW BUSINESS:**

A. A resolution in the matter of approving an additional expenditure in the amount of \$8,347 pursuant to Section 7 of a utility relocation agreement, found at County Contract No. C-08-0188, for Project No. C55-KP-412(1) on South 98<sup>th</sup> Street from Old Cheney Road to Pioneers Boulevard. (R-09-0006)

**IF YOU ARE HERE TO PARTICIPATE ON AN ITEM AND NEED SPECIAL CONSIDERATION BECAUSE OF A SCHEDULE CONFLICT OR SOME OTHER PROBLEM, PLEASE LET THE CLERK KNOW PRIOR TO THE MEETING SO WE MAY ACCOMMODATE YOUR NEEDS.**

4) **NEW BUSINESS CONTINUED:**

- H. A facilities agreement between the Lancaster County Correctional Facility Joint Public Agency and Lancaster County. The agreement appoints the County as the agent of the Joint Public Agency for purposes of acquiring, constructing, equipping, and furnishing the new Adult Correctional Facility project. The agreement also provides that the County will maintain, operate and manage the correctional facility upon completion. (C-09-0078)
- I. A site lease agreement with the Lancaster County Correctional Facility Joint Public Agency for lease of the property which will contain the new Lancaster County Correctional Facility. (C-09-0079)
- J. Recommendation from the Purchasing Agent and the Lancaster County Weed Control Authority to award a bid for weed control services to the following vendors on an as-needed basis: (B-09-0007)
  - Jacks Lawn Care
  - Big Red Lawn Service
  - B&B Lawn Service
  - Lee's Lawn Maintenance
  - All Care Grounds Maintenance
  - ProMow Inc.
- K. Recommendation from the Purchasing Agent and the Lancaster County Chief Deputy Sheriff to issue an order from State of Nebraska contract number 12325 OC to Husker Auto Group for one (1) 2009 Chevrolet Impala Sedan, in the amount of \$17,139. (B-09-0008)
- L. A political subdivision tort claim filed against the Lancaster County Corrections Department by Mario Martinez, in the amount of \$2.80, for lost property.
- M. Request from the Lancaster County Personnel Policy Board to revise Paragraph 11 of the Family and Medical Leave Act Personnel Policy Bulletin to allow 14 calendar days to cure any deficiencies.



8) **ANNOUNCEMENTS CONTINUED:**

- B. The Lancaster County Board of Commissioners will not hold a Staff Meeting on Thursday, February 12, 2009. Instead, the County Board will hold their Mid - Year Budget Retreat on Wednesday, February 11, 2009 at Union Bank and Trust, located at 6801 S. 27<sup>th</sup> Street, from 8:30 a.m. to 4:00 p.m..
- C. A public hearing will be held on Tuesday, February 17, 2009 at 9:30 a.m. in the County Commissioners Hearing Room, Room 112, on the first floor of the County-City Building regarding County Change of Zone No. 08065, requested by the Director of Planning, to amend the provisions for wind energy conversion systems (WECS) in the Lancaster County Zoning Resolution to provide for WECS (also known as wind turbines and windmills) over the district height as a conditional use in the AG and AGR zoning districts.
- D. The Lancaster County Board of Commissioners meeting is broadcast live at 9:30 a.m. on Tuesdays and rebroadcast at 1:30 p.m. and 6:30 p.m., as well as on Saturday afternoon on 5 City-TV, Cable Channel 5. In addition, this meeting may be viewed on Nebraska On Demand Time Warner Channel 101 and is available on the Internet 24 hours a day at <http://www.lancaster.ne.gov>. Click on 5 City-TV Video On Demand.

9) **ADJOURNMENT:**

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RECEIVED

FEB 05 2009

LANC. COUNTY CLERK

**TAXROLL VOUCHER LIST**

Lancaster County  
Board of Equalization  
February 10, 2009

Voucher #	P.I.D.	Owners Name	Tax Year	Increase Value	Decrease Value	
193-09-RE	22-11-200-001-AC1	BEECK, CHRISTOPHER J & MELISSA J	2008	\$5,960	\$0	MOBILE HOME ACCELERATED FOR 2009 PER CA.
194-09-RE	17-21-300-010-000	MARSH, MICHAEL J & KIMBERLY & WEI	2008	\$0	\$1,089,204	NEW SUBDIVISON PER JI.
195-09-RE	17-21-324-001-000	MARSH, MICHAEL J & KIMBERLY & WEI	2008	\$272,301	\$0	NEW SUBDIVISON PER JI.
196-09-RE	17-21-324-002-000	ONE INVESTMENT LLC	2008	\$816,903	\$0	NEW SUBDIVISON PER JI.

APPROVED BY LANCASTER COUNTY BOARD OF EQUALIZATION

	Increase	Decrease
Totals:	\$1,095,164	\$1,089,204

CHAIRPERSON

DATE

NORMAN H. AGENA, COUNTY ASSESSOR/ROD

DATE

*Norman H. Agena*

*2/5/2009*

**MINUTES  
LANCASTER COUNTY BOARD OF COMMISSIONERS  
TUESDAY, SEPTEMBER 9, 2008  
COUNTY COMMISSIONERS HEARING ROOM, ROOM 112  
FIRST FLOOR, COUNTY-CITY BUILDING  
9:30 A.M.**

Commissioners Present: Bob Workman, Chair  
Bernie Heier, Vice Chair  
Larry Hudkins  
Deb Schorr  
Ray Stevens

Others Present: Kerry Eagan, Chief Administrative Officer  
Gwen Thorpe, Deputy Chief Administrative Officer  
Dan Nolte, County Clerk  
Cori Beattie, Deputy County Clerk  
Tom Fox, Deputy County Attorney

The location announcement of the Nebraska Open Meetings Act was given and the meeting was called to order at 9:40 a.m..

- 1) **MINUTES: Approval of the minutes of the Board of Commissioners meeting held on Tuesday, September 2, 2008.**

**MOTION:** Heier moved and Stevens voted approval of the minutes of the Board of Commissioners meeting held on September 2, 2008. Hudkins, Stevens, Schorr, Heier and Workman voted aye. Motion carried.

- 2) **CLAIMS: Approval of all claims processed through Tuesday, September 9, 2008.**

**MOTION:** Heier moved and Schorr seconded approval of all claims processed through September 9, 2008. Schorr, Hudkins, Heier, Stevens and Workman voted aye. Motion carried.

3) **SPECIAL PRESENTATIONS:**

- A. (1) Award of bid, pursuant to Specification No. 08-115, to Prudential Retirement Insurance and Annuity Company for provision of bundled retirement services including record keeping/administration, communication/education, and custodial trustee services, and unbundled investment management services for the Lancaster County, Nebraska Employees 401(a) Retirement and 457 Deferred Compensation plans; and (2) Introduction of John Byrne, Prudential Vice President of Tax Exempt Retirement Plans.**

Kerry Eagan, Chief Administrative Officer, introduced John Byrne, Prudential Vice President of Tax Exempt Retirement Plans, and Kristy Dinh, Relationship Manager with Prudential.

Byrne thanked the County and stated they are excited about the opportunity and looking forward to a long-term relationship.

**MOTION:** Stevens moved and Hudkins seconded approval to award a bid, pursuant to Specification No. 08-115, to Prudential Retirement Insurance and Annuity Company, for the 401(a) Retirement and 457 Deferred Compensation plan and direct Doug Cyr, Deputy County Attorney, and Kerry Eagan, Chief Administrative Officer, to work with Prudential in negotiating a contract. Heier, Schorr, Stevens, Hudkins and Workman voted aye. Motion carried.

4) **PUBLIC HEARINGS:**

- A. County Special Permit No. 08030, Sagebrook Estates Community Unit Plan, requested by Jonathan Felts on behalf of F.R. Holdings, L.L.C., for authority to develop nine residential acreage units, with requests to waive sidewalks, cul-de-sac length and block length, on property generally located at North 176<sup>th</sup> and Holdrege Streets, Lancaster County, Nebraska. (See New Business Item 5A for correlating documentation.)**

The Chair opened the public hearing and asked if anyone wished to provide testimony.

4) **PUBLIC HEARINGS CONTINUED:**

The oath was administered to Mike DeKalb, Planning Department.

DeKalb gave an overview regarding the Special Permit indicating that the Planning Department, as well as the Planning Commission, recommended approval. He added that the road access points were approved by the County Engineer. DeKalb stated there are three gas transmission lines on the west side of the property and that the Health Department requested non-buildable buffers around the lines, which the applicant agreed to. It was also noted that the applicant agreed to give notification of the gas transmission lines to buyers.

The Chair asked if anyone else wished to testify.

No one appeared and the hearing was closed.

5) **NEW BUSINESS:**

**A. A resolution in the matter of County Special Permit No. 08030, Sagebrook Estates Community Unit Plan, requested by Jonathan Felts on behalf of F.R. Holdings, L.L.C., on property generally located at North 176<sup>th</sup> and Holdrege Streets in Lancaster County, Nebraska. (R-08-0074)**

**MOTION:** Stevens moved and Hudkins seconded approval of Resolution No. R-08-0074 in the matter of County Special Permit No. 08030, Sagebrook Estates Community Unit Plan, requested by Jonathan Felts on behalf of F.R. Holdings, L.L.C., on property generally located at North 176<sup>th</sup> and Holdrege Streets in Lancaster County, Nebraska.

**RETURNING TO ITEM 4: PUBLIC HEARINGS:**

- B. Amendment of fees relating to the following resolutions: (See New Business Items 5B through 5E for correlating documentation.)**
- 1. Resolution No. R-03-0007 in the matter of amending Sections VI, IX, XV and XXIX relating to the regulations for the operation of body art and piercing establishments in Lancaster County, Nebraska.**
  - 2. Resolution No. R-02-0030 in the matter of amending Section XIII relating to on-site waste water treatment systems.**
  - 3. Resolution No. 5069 in the matter of amending Section 13 relating to air pollution control adopted November 16, 1993.**
  - 4. Resolution No. 5066 in the matter of amending Article 1, Section 6, and Article 2, Section 30 of the Lincoln-Lancaster County Air Pollution Control Program Regulations and Standards.**

4) **PUBLIC HEARINGS CONTINUED:**

The Chair opened the public hearing and asked if anyone wished to provide testimony.

The oath was administered to Scott Holmes, Environmental Health Manager with the Lincoln-Lancaster County Health Department.

Holmes gave an overview regarding the incremental fee increases. He stated the increases would add approximately five to ten dollars to a typical permit fee and go directly to the work of regulation, inspection, investigation and some mandatory education requirements.

Tom Fox, Deputy County Attorney, indicated the fees would take effect October 1, 2008 to coincide with their adoption by the City.

The Chair asked if anyone else wished to provide testimony.

No one appeared and the hearing was closed.

5) **NEW BUSINESS:**

**A. A resolution in the matter of County Special Permit No. 08030, Sagebrook Estates Community Unit Plan, requested by Jonathan Felts on behalf of F.R. Holdings, L.L.C., on property generally located at North 176<sup>th</sup> and Holdrege Streets in Lancaster County, Nebraska. (R-08-0074)**

Item was moved forward on the agenda.

**B. A resolution amending Sections VI, IX XV and XXIX of County Resolution No. R-03-0007, Regulations for the Operation of Body Art and Piercing Establishments. The amendment increases various fees for the operation of body art and piercing establishments as provided in Attachment A. (R-08-0068)**

**MOTION:** Hudkins moved and Stevens seconded approval of Resolution No. R-08-0068 amending Sections VI, IX XV and XXIX of County Resolution No. R-03-0007, Regulations for the Operation of Body Art and Piercing Establishments. The amendment increases various fees for the operation of body art and piercing establishments as provided in Attachment A. Schorr, Hudkins, Stevens, Heier and Workman voted aye. Motion carried.

5) **NEW BUSINESS CONTINUED:**

**C. A resolution amending Section XIII of County Resolution No. 02-30, Procedures for the Regulation of On-Site Wastewater Treatment Systems. The amendment increases various fees for on-site wastewater treatment permits as provided in Attachment A. (R-08-0070)**

**MOTION:** Stevens moved and Heier seconded approval of Resolution No. R-08-0070 amending Section XIII of County Resolution No. 02-30, Procedures for the Regulation of On-Site Wastewater Treatment Systems. Hudkins, Stevens, Schorr, Heier and Workman voted aye. Motion carried.

**D. A resolution in the matter of amending Resolution No. 5069, the Lancaster County Air Pollution control Resolution of 1993, to increase the fee for open burning permits as provided in Attachment A. (R-08-0071)**

**MOTION:** Schorr moved and Stevens seconded approval of Resolution No. R-08-0071 in the matter of amending Resolution No. 5069, the Lancaster County Air Pollution control Resolution of 1993, to increase the fee for open burning permits as provided in Attachment A. Hudkins, Stevens, Schorr, Heier and Workman voted aye. Motion carried.

**E. A resolution amending Article 1, Section 6, and Article 2, Section 30 of the Lincoln-Lancaster County Air Pollution Control Program Regulations and Standards. The amendments increase the notification fees for the National Emissions Standards for Hazardous Air Pollutants asbestos projects, as provided in Attachment A, and increases the fees associated with construction permits, as provided in Attachment B. (R-08-0067)**

**MOTION:** Stevens moved and Heier seconded approval of Resolution No. R-08-0067 amending Article 1, Section 6, and Article 2, Section 30 of the Lincoln-Lancaster County Air Pollution Control Program Regulations and Standards. Schorr, Hudkins, Heier, Stevens and Workman voted aye. Motion carried.

5) **NEW BUSINESS CONTINUED:**

**F. A resolution in the matter of authorizing the installation of a "Watch for Stopped Vehicles" sign on Saltillo Road, 600 feet east of South 54<sup>th</sup> Street for westbound traffic. (R-08-0072)**

Schorr asked why vehicles are being stopped on Saltillo Road.

Terry Wagner, Lancaster County Sheriff, explained that due to the terrain eastbound vehicles on Saltillo Road can't see vehicles stopped to make a left turn.

**MOTION:** Heier moved and Hudkins seconded approval of Resolution No. R-08-0072 in the matter of authorizing the installation of a "Watch for Stopped Vehicles" sign on Saltillo Road, 600 feet east of South 54<sup>th</sup> Street for westbound traffic. Heier, Schorr, Stevens, Hudkins and Workman voted aye. Motion carried.

**G. A resolution in the matter of County Board of Zoning Appeals, Appeal No. 08002, requested by Countryside Alliance Church, for a variance of the zoning resolution to allow a fourteen by five by ten foot sign, within the required front yard, on property located at 24005 South 12<sup>th</sup> Street, Princeton, Lancaster County, Nebraska. (R-08-0073)**

**MOTION:** Hudkins moved and Heier seconded approval of Resolution No. R-08-0073 in the matter of County Board of Zoning Appeals, Appeal No. 08002, requested by Countryside Alliance Church, for a variance of the zoning resolution to allow a fourteen by five by ten foot sign, within the required front yard, on property located at 24005 South 12<sup>th</sup> Street, Princeton, Lancaster County, Nebraska. Schorr, Stevens, Hudkins, Heier and Workman voted aye. Motion carried.

**H. A resolution in the matter of determining the need for the creation of a Joint Public Agency, pursuant to Neb. Rev. Stat. § 13-2501 et.seq. (Cum. Supp. 2006), to facilitate acquiring, constructing, equipping, furnishing and financing correctional facilities for the benefit of the residents of Lancaster County, and approving the agreement for creation of the Joint Public Agency. The participants in the Joint Public Agency will be Lancaster County and the City of Lincoln. (R-08-0075)**



5) **NEW BUSINESS CONTINUED:**

**MOTION:** Hudkins moved and Heier seconded approval of Resolution No. R-08-0075 in the matter of determining the need for the creation of a Joint Public Agency, pursuant to Neb. Rev. Stat. § 13-2501 et.seq. (Cum. Supp. 2006), to facilitate acquiring, constructing, equipping, furnishing and financing correctional facilities for the benefit of the residents of Lancaster County, and approving the agreement for creation of the Joint Public Agency.

Heier noted there are currently 510 individuals in the jail and eight located at the Lincoln Regional Center, the Crisis Hospital and/or BryanLGH for a total of 518.

Scott Keene, with Ameritas, gave an overview regarding the resolution creating a joint public agency and stated the City Council approved their resolution authorizing the creation on September 8<sup>th</sup>.

**ROLL CALL ON THE MOTION:** Stevens, Heier, Schorr, Hudkins and Workman voted aye. Motion carried.

**I. An application for a Special Designated License from Ken's Liquor Inc. to provide liquor beverage service for a wedding reception on Saturday, September 27, 2008 from 4 p.m. to 1 a.m. at Country Pines, located at 6305 West Adams Street, Lancaster County, Nebraska.**

**MOTION:** Stevens moved and Schorr seconded approval of an application for a Special Designated License from Ken's Liquor Inc. to provide liquor beverage service for a wedding reception on Saturday, September 27, 2008 from 4 p.m. to 1 a.m. at Country Pines, located at 6305 West Adams Street, Lancaster County, Nebraska. Heier, Schorr, Hudkins, Stevens and Workman voted aye. Motion carried.

**J. An addendum to a contract between Lancaster County and Bob Barker Company, found under County Contract No. C-07-0367, for the purchase of corrections staff clothing, inmate clothing and accessories on an as-needed basis by the Lancaster County Corrections Department, Youth Service Center and the Community Mental Health Center. The addendum renews the contract for an additional one-year term beginning September 18, 2008. (C-08-0467)**

5) **NEW BUSINESS CONTINUED:**

**MOTION:** Heier moved and Stevens seconded approval of an addendum to a contract between Lancaster County and Bob Barker Company, found under County Contract No. C-07-0367, for the purchase of corrections staff clothing, inmate clothing and accessories on an as-needed basis by the Lancaster County Corrections Department, Youth Service Center and the Community Mental Health Center. Schorr, Hudkins, Stevens, Heier and Workman voted aye. Motion carried.

**K. An addendum to the contract between Lancaster County and Robinson Textile, found under County Contract No. C-07-0368, for the purchase of corrections staff clothing, inmate clothing and accessories on an as-needed basis by the Lancaster County Corrections Department, Youth Service Center and the Community Mental Health Center. The addendum amends the agreement to reflect a four percent price increase for all items and renews the contract for an additional one-year term. (C-08-0468)**

**MOTION:** Hudkins moved and Heier seconded approval of an addendum to the contract between Lancaster County and Robinson Textile, found under County Contract No. C-07-0368, for the purchase of corrections staff clothing, inmate clothing and accessories on an as-needed basis by the Lancaster County Corrections Department, Youth Service Center and the Community Mental Health Center. Hudkins, Stevens, Schorr, Heier and Workman voted aye. Motion carried.

**L. An addendum to a contract between Lancaster County and Shoe Corporation of Birmingham, Inc., found under County Contract No. C-07-0369, for the purchase of corrections staff clothing, inmate clothing and accessories on an as-needed basis by the Lancaster County Corrections Department, Youth Service Center and the Community Mental Health Center. The addendum renews the contract for an additional one-year term beginning September 18, 2008. (C-08-0469)**

5) **NEW BUSINESS CONTINUED:**

**MOTION:** Heier moved and Stevens seconded approval of an addendum to a contract between Lancaster County and Shoe Corporation of Birmingham, Inc., found under County Contract No. C-07-0369, for the purchase of corrections staff clothing, inmate clothing and accessories on an as-needed basis by the Lancaster County Corrections Department, Youth Service Center and the Community Mental Health Center. Hudkins, Stevens, Schorr, Heier and Workman voted aye. Motion carried.

**M. An acceptance of proposal and agreement with the Lincoln League of Women Voters to assist with voter registration sites and provide election night workers in Lancaster County. The County will pay up to \$2,500 to the League for the services provided. Term of the agreement is from September 1, 2008 to August 31, 2009. (C-08-0470)**

**MOTION:** Hudkins moved and Schorr seconded approval of an acceptance of proposal and agreement with the Lincoln League of Women Voters to assist with voter registration sites and provide election night workers in Lancaster County. Schorr, Hudkins, Heier, Stevens and Workman voted aye. Motion carried.

**N. A contract between Lancaster County and Windstream Communications for a digital mobility system, including cabling and installation. The contract will begin at the time of execution and the work will be completed by September 30, 2008. Cost to the County is \$7,493. (C-08-0471)**

**MOTION:** Heier moved and Stevens seconded approval of a contract between Lancaster County and Windstream Communications for a digital mobility system, including cabling and installation. Heier, Schorr, Stevens, Hudkins and Workman voted aye. Motion carried.

5) **NEW BUSINESS CONTINUED:**

**O. A Prevention Coalition contract for behavioral health services between the Regional Behavioral Health Authority (Region V) and Lancaster County, on behalf of the Lincoln/Lancaster County Substance Abuse Action Coalition. Region V will pay the County \$133,700 to implement Region V substance abuse prevention plan and to provide substance abuse prevention services through subcontractors. Term of the agreement is from July 1, 2008 through June 30, 2009. (C-08-0472)**

**MOTION:** Schorr moved and Stevens seconded approval of a prevention coalition contract for behavioral health services between the Regional Behavioral Health Authority (Region V) and Lancaster County, on behalf of the Lincoln/Lancaster County Substance Abuse Action Coalition. Schorr, Stevens, Hudkins, Heier and Workman voted aye. Motion carried.

**P. An agreement between Lancaster, on behalf of the Youth Services Center, for the provision of detention services for youth committed to, or placed with the State's Office of Juvenile services. The County will be paid \$236 per youth, per day. Term of the agreement is September 1, 2008 through August 31, 2009. (C-08-0473)**

**MOTION:** Heier moved and Stevens seconded approval of an agreement between Lancaster, on behalf of the Youth Services Center, for the provision of detention services for youth committed to, or placed with the State's Office of Juvenile services.

Heier explained that last year there was a disagreement with the State regarding the rate, however, this year the rates have decreased and the State agrees and has signed the contract.

**ROLL CALL ON THE MOTION:** Stevens, Heier, Schorr, Hudkins and Workman voted aye. Motion carried.

5) **NEW BUSINESS CONTINUED:**

**Q. Partial Waiver of Right of Subrogation against benefits or final lump sum settlement paid to Erin Saunders under Workers' Compensation Court case found at Docket 207, Page 2150. (C-08-0474)**

**MOTION:** Stevens moved and Heier seconded approval of a partial waiver of right of subrogation against benefits or final lump sum settlement paid to Erin Saunders under Workers' Compensation Court case found at Docket 207, Page 2150.

Fox explained individuals who apply for general assistance sign a subrogation portion on the application which subrogates their rights to the County for any amounts received from insurance or other funds. He stated Ms. Saunders received general assistance for a specific injury, however, the County did not pay out on the injury. The partial waiver releases the County's subrogation rights to her so she may receive her settlement.

**ROLL CALL ON THE MOTION:** Heier, Schorr, Hudkins, Stevens and Workman voted aye. Motion carried.

**R. A political subdivision tort claim filed against the Lancaster County Corrections Department by Kathryn C. Smith, in the amount of \$100,000 for alleged failure to provide appropriate medical care and alleged violation of Constitutional rights.**

**MOTION:** Hudkins moved and Heier seconded to accept the recommendation of the Corrections Director and deny a political subdivision tort claim filed against the Lancaster County Corrections Department by Kathryn C. Smith, in the amount of \$100,000 for alleged failure to provide appropriate medical care and alleged violation of Constitutional rights. Schorr, Hudkins, Stevens, Heier and Workman voted aye. Motion carried.

**S. A political subdivision tort claim filed against Lancaster County and the Lancaster County Corrections Department by LaDonna Pettit, Special Administrator for the estate of her mother, Dixie Eggers, in the amount of \$1,000,000 for the alleged violation of the Constitutional rights of Dixie Eggers.**

5) **NEW BUSINESS CONTINUED:**

Sue Ellen Wall, attorney representing the Estate of Dixie Eggers, appeared and gave a brief overview regarding the claim.

**MOTION:** Heier moved and Schorr seconded to deny a political subdivision tort claim filed against Lancaster County and the Lancaster County Corrections Department by LaDonna Pettit, Special Administrator for the estate of her mother, Dixie Eggers, in the amount of \$1,000,000 for the alleged violation of the Constitutional rights of Dixie Eggers. Hudkins, Stevens, Schorr, Heier and Workman voted aye. Motion carried.

**T. Appointment of Dr. Karla K. Lester to the Lincoln-Lancaster County Board of Health for a term expiring April 15, 2010 (completing Debra A. Humphrey' unexpired term).**

**MOTION:** Heier moved and Hudkins seconded approval of the appointment of Dr. Karla K. Lester to the Lincoln-Lancaster County Board of Health for a term expiring April 15, 2010 (completing Debra A. Humphrey' unexpired term). Hudkins, Stevens, Schorr, Heier and Workman voted aye. Motion carried.

**U. Appointments and reappointment of the following individuals to the Air Pollution Control Advisory Board:**

- \* **David P. Skipton, term to expire September 1, 2011 (reappointment)**
- \* **Jeffrey Tomhave, term to expire November 1, 2010 (new appointment)**
- \* **Wilbur "Bud" Dasenbrock, term to expire November 1, 2010 (new appointment)**

**MOTION:** Hudkins moved and Stevens seconded approval of the appointment of Wilbur "Bud" Dasenbrock, term to expire November 1, 2010; the appointment of Jeffrey Tomhave, term to expire November 1, 2010; and the reappointment of David P. Skipton, term to expire September 1, 2011 to the Air Pollution Control Advisory Board. Schorr, Hudkins, Heier, Stevens and Workman voted aye. Motion carried.

6) **CONSENT ITEMS:** *These are items of business that are routine which are expected to be adopted without dissent. Any individual item may be removed for special discussion and consideration by a Commissioner or by any member of the public without prior notice. Unless there is an exception, these items will be approved as one with a single vote of the Board of Commissioners. These items are approval of:*

**A. Receive and Place on File:**

- 1. County Clerk's Monthly Report for August, 2008.**
- 2. Clerk of the District Court's Monthly Report for August, 2008.**
- 3. County Assessor/Register of Deeds Monthly Report for August, 2008.**

**B. Setting of a public hearing for Tuesday, September 16, 2008 at 9:30 a.m. in the County Commissioners Hearing Room, Room 112, on the first floor of the County-City Building regarding amending Section X of County Resolution No. R-06-0005, procedures for the inspection of on-site water supply systems and on-site wastewater treatment systems prior to the sale, transfer or conveyance of property. The amendment increases fees for evaluation and review of property transfer inspector reports and necessary site visits by the Health Director as provided in Attachment A.**

**MOTION:** Stevens moved and Schorr seconded approval of the Consent Items. Heier, Schorr, Stevens, Hudkins and Workman voted aye. Motion carried.

7) **ADJOURNMENT:**

**MOTION:** Stevens moved and Hudkins seconded adjournment of the Board of Commissioners meeting at 10:22 a.m.. Heier, Schorr, Hudkins, Stevens and Workman voted aye. Motion carried.

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Dan Nolte  
County Clerk

**MINUTES  
LANCASTER COUNTY BOARD OF COMMISSIONERS  
TUESDAY, DECEMBER 9, 2008  
COUNTY COMMISSIONERS HEARING ROOM, ROOM 112  
FIRST FLOOR, COUNTY-CITY BUILDING  
9:30 A.M.**

Commissioners Present: Bob Workman, Chair  
Bernie Heier, Vice Chair  
Larry Hudkins  
Deb Schorr

Commissioners Absent: Ray Stevens

Others Present: Kerry Eagan, Chief Administrative Officer  
Dan Nolte, County Clerk  
Cori Beattie, Deputy County Clerk  
Tom Fox, Deputy County Attorney

The location announcement of the Nebraska Open Meetings Act was given and the meeting was called to order at 9:30 a.m..

1) **MINUTES: Approval of the minutes of the Board of Commissioners meeting held on Tuesday, December 2, 2008.**

**MOTION:** Heier moved and Hudkins seconded approval of the minutes of the Board of Commissioners meeting held on December 2, 2008. Hudkins, Heier and Workman voted aye. Schorr was absent from voting. Motion carried.

2) **CLAIMS: Approval of all claims processed through Tuesday, December 9, 2008.**

**MOTION:** Hudkins moved and Heier seconded approval of all claims processed through December 9, 2008. Hudkins, Heier and Workman voted aye. Schorr was absent from voting. Motion carried.



3) **PUBLIC HEARINGS:**

**A. County Board of Zoning Appeals, Appeal No. 08003, requested by Nicholas Zobel, for a variance of the side yard setback to allow construction of a building, on property located at 13000 North 14<sup>th</sup> Street, Lancaster County, Nebraska. (See New Business Item 5A for correlating documentation.)**

The Chair opened the public hearing and asked if anyone wished to testify.

Krista Zobel, 13000 North 14<sup>th</sup> Street, Raymond, Nebraska, appeared and explained they would like to erect a shed for storage of equipment approximately five feet from the fence line and added they do have a letter from their neighbor granting them permission (Exhibit 1). Mrs. Zobel also stated she has a letter from Capital City Horse and Pony Club indicating the building will not interfere with their operation (Exhibit 2).

Also submitted into the record was the following information:

- \* Aerial map of property (Exhibit 3)
- \* Picture of proposed shed (Exhibit 4)
- \* Pictures of equipment to be stored (Exhibits 5 and 6)
- \* Pictures of fence line and property (Exhibits 7 and 8)

The Chair asked if anyone else wished to testify.

No one appeared and the hearing was closed.

5) **NEW BUSINESS:**

**A. A resolution approving County Board of Zoning Appeals, Appeal No. 08003, requested by Nicholas Zobel, for a variance of Section 4.017(d) of the Lancaster County Zoning Resolution for property located at 13000 North 14<sup>th</sup> Street, Raymond, Lancaster County, Nebraska. (R-08-0110)**

**MOTION:** Hudkins moved and Heier seconded approval of Resolution No. R-08-0110 approving County Board of Zoning Appeals, Appeal No. 08003, requested by Nicholas Zobel, for a variance of Section 4.017(d) of the Lancaster County Zoning Resolution for property located at 13000 North 14<sup>th</sup> Street, Raymond, Lancaster County, Nebraska. Heier, Hudkins and Workman voted aye. Schorr was absent from voting. Motion carried.

3) **PUBLIC HEARINGS CONTINUED:**

**B. Correction of a clerical error found in County Special Permit No. 07033. County Special Permit No. 07033 allows the permittee the authority to do mining and extraction of soil on property generally located on the east side of North 56<sup>th</sup> Street/Highway 77, between Branched Oak Road and Davey Road in Lancaster County, Nebraska. The correction would delete condition 2.1.3 in its entirety from Special Permit No. 07033. The language of condition 2.1.3, that is proposed to be deleted states "Access to Branched Oak Road shall meet the conditions of the County Engineer's August 8, 2007 letter and shall have approval of the County Engineer." (See New Business Item 5B for correlating documentation.)**

The Chair opened the public hearing and asked if anyone wished to testify.

The oath was administered to Tom Fox, Deputy County Attorney, who explained the item was being brought back to the County Board to correct a clerical error made in a resolution relating to County Special Permit No. 07033. Fox requested the following DVD's regarding the item be made a part of the record:

- \* Public hearing held on Tuesday, September 25, 2007 on County Special Permit No. 7033 (Exhibit 9)
- \* Tuesday, October 2, 2007: Old Business Item 3 - Resolution No. R-07-0089 in the matter of County Special Permit No. 7033 (Exhibit 10)
- \* Tuesday, October 9, 2007: Old Business Item 5A - Resolution No. R-07-0089 in the matter of County Special Permit No. 7033 (Exhibit 11)

Fox stated the item to be discussed is specifically related to 2.1.3 of the Special Permit and relates to access of Branched Oak Road. He said after review of the DVD's it appears that the County Board's intent was to only have access limited to Highway 77. Fox further stated that the applicant initially objected to site restrictions on Highway 77, but indicated they wouldn't pursue the issue. He referred to New Business Item 5B (Resolution No. R-08-0104) pointing out that Item 2.1.3 is struck from the resolution and that it also rescinds the previous resolution (R-07-0089).

The oath was administered to Thomas Keep, 8601 Davey Road, Lincoln, Nebraska.

Keep testified that they appreciate and concur with the correction to the resolution.

3) **PUBLIC HEARINGS CONTINUED:**

The oath was administered to Mike DeKalb, Planning Department.

DeKalb concurred with comments made by Fox noting that the revised site plan provided by the applicant does reflect one access point.

The oath was administered to Karen Kurbis, 17500 North 84<sup>th</sup> Street, Lincoln, Nebraska.

Kurbis reported that overall the mining and extraction are going pretty well. She stated she would like to see a little more compliance with regard to cover crop and added they have a lot of silt fences which go down and don't get erected unless they call the contractor. In conclusion, Kurbis stated she does appreciate the correction to the error.

The Chair asked if anyone else wished to testify.

No one appeared and the hearing was closed.

5) **NEW BUSINESS:**

**B. A resolution in the matter of County Special Permit No. 07033, requested by Mark Hunzeker on behalf of Greg Sanford, for authority to do mining and extraction of soil on approximately 159.39 acres, more or less, generally located on the east side of North 56<sup>th</sup> Street/Highway 77 between Branched Oak Road and Davey Road in Lancaster County, Nebraska. The resolution rescinds Resolution No. R-07-0089. (R-08-0104)**

**MOTION:** Heier moved and Hudkins seconded approval of Resolution No. R-08-0104 in the matter of County Special Permit No. 07033, requested by Mark Hunzeker on behalf of Greg Sanford, for authority to do mining and extraction of soil on approximately 159.39 acres, more or less, generally located on the east side of North 56<sup>th</sup> Street/Highway 77 between Branched Oak Road and Davey Road in Lancaster County, Nebraska. Hudkins, Heier and Workman voted aye. Schorr was absent from voting. Motion carried.

4) **OLD BUSINESS:**

- A. A subdivision agreement between Lancaster County and Pendel, Inc. regarding County Final Plat No. 08041, Parkland Estates Addition, on property generally located at Northwest 118<sup>th</sup> Street and West Fletcher Avenue. (C-08-0614)**

**MOTION:** Heier moved and Hudkins seconded approval of a subdivision agreement between Lancaster County and Pendel, Inc. regarding County Final Plat No. 08041, Parkland Estates Addition, on property generally located at Northwest 118<sup>th</sup> Street and West Fletcher Avenue.

Hudkins clarified rumors during his recent campaign for Lancaster County Commissioner that equipment was moved from the subdivision onto his residential driveway and that blacktop was laid for him. Hudkins stated the rumors were erroneous and added that a coating was sprayed on, however, the only equipment used was a five-gallon bucket and a broom.

**ROLL CALL:** Heier, Hudkins and Workman voted aye. Schorr was absent from voting. Motion carried.

5) **NEW BUSINESS:**

- A. A resolution approving County Board of Zoning Appeals, Appeal No. 08003, requested by Nicholas Zobel, for a variance of Section 4.017(d) of the Lancaster County Zoning Resolution for property located at 13000 North 14<sup>th</sup> Street, Raymond, Lancaster County, Nebraska. (R-08-0110)**

Item was moved forward on the agenda.

- B. A resolution in the matter of County Special Permit No. 07033, requested by Mark Hunzeker on behalf of Greg Sanford, for authority to do mining and extraction of soil on approximately 159.39 acres, more or less, generally located on the east side of North 56<sup>th</sup> Street/Highway 77 between Branched Oak Road and Davey Road in Lancaster County, Nebraska. The resolution rescinds Resolution No. R-07-0089. (R-08-0104)**

Item moved forward on the agenda.

5) **NEW BUSINESS CONTINUED:**

**C. A resolution approving the issuance of the Lancaster County Correctional Facility Joint Public Agency Building Bonds, in an amount not to exceed \$65,000,000; and related matters. (R-08-0105)**

Scott Keene with Ameritas and Lauren Wismer with Gilmore and Bell appeared.

Wismer stated the purpose of the resolution is to put the County on record as approving the issuance of bonds by the agency, in an amount not to exceed to \$65,000,000.

Keene gave a brief report regarding the current market situation indicating that it does continue to deteriorate. His recommendation was to delay financing until January, 2009 stating that if the market recovers they would come back to the County Board in January.

**MOTION:** Hudkins moved and Heier seconded approval of Resolution No. R-08-0105 approving the issuance of the Lancaster County Correctional Facility Joint Public Agency Building Bonds, in an amount not to exceed \$65,000,000; and related matters. Hudkins, Heier and Workman voted aye. Schorr was absent from voting. Motion carried.

**D. A resolution in the matter of Comprehensive Plan Conformance No. 08024: Adopting the One and Six-Year Road and Bridge Construction Program for Lancaster County, Fiscal Years 2009 and 2010-2014. (R-08-0106)**

**MOTION:** Heier moved and Hudkins seconded approval of Resolution No. R-08-0106 in the matter of Comprehensive Plan Conformance No. 08024: Adopting the One and Six-Year Road and Bridge Construction Program for Lancaster County, Fiscal Years 2009 and 2010-2014.

Discussion took place regarding dirt roads within the County. Don Thomas, County Engineer, said they have been working on them, however, the more complicated roads, such as Havelock Avenue, require a large taking of ground and are more expensive.

(Commissioner Schorr entered the Hearing Room at 10:10 a.m..)

**ROLL CALL:** Hudkins, Schorr, Heier and Workman voted aye. Motion carried.

5) **NEW BUSINESS CONTINUED:**

**E. A resolution in the matter of County Change of Zone No. 08038 from Agriculture (AG) to Agriculture Residential (AGR) requested by Jerry and Karen Fletcher on property, approximately 80-acres more or less, generally located to the north of the interchange of South 162<sup>nd</sup> Street and Highway 2, Lancaster County, Nebraska. (R-08-0107)**

**MOTION:** Schorr moved and Hudkins seconded approval of Resolution No. R-08-0107 in the matter of County Change of Zone No. 08038 from Agriculture (AG) to Agriculture Residential (AGR) requested by Jerry and Karen Fletcher on property, approximately 80-acres more or less, generally located to the north of the interchange of South 162<sup>nd</sup> Street and Highway 2, Lancaster County, Nebraska. Schorr, Hudkins, Heier and Workman voted aye. Motion carried.

**F. A resolution in the matter of instituting eminent domain proceedings against JSM Farms, L.L.C., Project No. C55-F-406(1), Tract No. 6 (Alvo Road between North 1<sup>st</sup> and North 14<sup>th</sup> Streets) and replacing and rescinding County Resolution No. R-08-0098. (R-08-0108)**

Fox stated New Business Items 5F and 5G correct errors on exhibits contained in previous resolutions. He said both resolutions would rescind and replace other resolutions.

**MOTION:** Heier moved and Schorr seconded approval of Resolution No. R-08-0108 in the matter of instituting eminent domain proceedings against JSM Farms, L.L.C., Project No. C55-F-406(1), Tract No. 6 (Alvo Road between North 1<sup>st</sup> and North 14<sup>th</sup> Streets) and replacing and rescinding County Resolution No. R-08-0098.

Hudkins stated he would be voting against Items 5F and 5G because he feels both property owners are being taken advantage of and should be paid at the same rate as the Lincoln Public School District.

**ROLL CALL:** Heier, Schorr and Workman voted aye. Hudkins voted no. Motion carried.

5) **NEW BUSINESS CONTINUED:**

**G. A resolution in the matter of instituting eminent domain proceedings against Jon C. and Sharon S. Mumgaard, Project No. C55-F-406(1), Tract No. 7 (Alvo Road between North 1<sup>st</sup> and North 14<sup>th</sup> Streets) and replacing and rescinding County Resolution No. R-08-0099. (R-08-0109)**

**MOTION:** Heier moved and Schorr seconded approval of Resolution No. R-08-0109 in the matter of instituting eminent domain proceedings against Jon C. and Sharon S. Mumgaard, Project No. C55-F-406(1), Tract No. 7 (Alvo Road between North 1<sup>st</sup> and North 14<sup>th</sup> Streets) and replacing and rescinding County Resolution No. R-08-0099. Schorr, Heier and Workman voted aye. Hudkins voted no. Motion carried.

**H. A resolution in the matter of relaxing the design loading standards for Lancaster County Bridge No. S-26 State Structure No. C005503105; Project No. C55-S-401(6), Hickman Viaduct. (R-08-0111)**

**MOTION:** Schorr moved and Heier seconded approval of Resolution No. R-08-0111 in the matter of relaxing the design loading standards for Lancaster County Bridge No. S-26 State Structure No. C005503105; Project No. C55-S-401(6), Hickman Viaduct. Heier, Schorr, Hudkins and Workman voted aye. Motion carried.

**I. A resolution in the matter of relaxing the Bridge Design Loading Standards for Project No. BR-3340(7), Waverly Southeast. The bridge is located on Fletcher Avenue between North 162<sup>nd</sup> and North 176<sup>th</sup> Streets. (R-08-0112)**

**MOTION:** Hudkins moved and Heier seconded approval of Resolution No. R-08-0112 in the matter of relaxing the Bridge Design Loading Standards for Project No. BR-3340(7), Waverly Southeast. The bridge is located on Fletcher Avenue between North 162<sup>nd</sup> and North 176<sup>th</sup> Streets. Heier, Schorr, Hudkins and Workman voted aye. Motion carried.

**J. A resolution in the matter of authorizing the County Clerk to issue payments while the County Board is adjourned. (R-08-0113)**

**MOTION:** Schorr moved and Hudkins seconded approval of Resolution No. R-08-0113 in the matter of authorizing the County Clerk to issue payments while the County Board is adjourned. Schorr, Hudkins, Heier and Workman voted aye. Motion carried.

5) **NEW BUSINESS CONTINUED:**

**K. Agreements with Lincoln Surgery Center - Endoscopy and UNMC Physician's to provide specialized medical care and assistance to Lancaster County General Assistance clients who have pending claims with the Social Security Administration and may be eligible for retroactive Medicaid benefits. The agreements set forth a reimbursement arrangement in which the County will provide payment for the medical care and Lincoln Surgery Center - Endoscopy and UNMC Physician's will reimburse the County if/when the General Assistance client is later determined eligible for Medicaid reimbursement. The agreements are effective upon execution of both parties and contain a 30-day termination provision. (C-08-0648) (C-08-0654)**

**MOTION:** Schorr moved and Heier seconded approval of agreements with Lincoln Surgery Center - Endoscopy and UNMC Physician's to provide specialized medical care and assistance to Lancaster County General Assistance clients who have pending claims with the Social Security Administration and may be eligible for retroactive Medicaid benefits. Hudkins, Schorr, Heier and Workman voted aye. Motion carried.

**L. An interlocal agreement with York County for the safekeeping, care and sustenance of juveniles while at the Youth Services Center. Lancaster County will be reimbursed \$236 per youth, per day. The agreement is effective upon execution and has a 30-day termination provision. (C-08-0649)**

**MOTION:** Hudkins moved and Schorr seconded approval of an interlocal agreement with York County for the safekeeping, care and sustenance of juveniles while at the Youth Services Center. Lancaster County will be reimbursed \$236 per youth, per day. Hudkins, Schorr, Heier and Workman voted aye. Motion carried.



5) **NEW BUSINESS CONTINUED:**

**M. An agreement with Maxim Healthcare Services, Inc. d/b/a Maxim Staffing Solutions for healthcare staffing services at Lancaster Manor. Term of the agreement is for a one-year period and will renew automatically, unless terminated at any time by giving 30 days notice. The County will pay for services pursuant to the rates in Attachment "A", ranging from \$25 to \$50 per hour. Also attached to the agreement is a Business Association Agreement with Maxim to comply with Health Insurance Portability and Accountability Act (HIPAA) regulations. (C-08-0650)**

This item was held at the request of the County Attorney's Office.

**N. An amendment to a contract with American Sanitary Inc. d/b/a AmSan Nebraska, found at County Contract No. C-08-0282, to provide and deliver custodial supplies and hard goods to various departments of the County and the City of Lincoln. The amendment renews the contract for an additional one-year term between October 13, 2008 and October 12, 2009. (C-08-0651)**

**MOTION:** Schorr moved and Heier seconded approval of an amendment to a contract with American Sanitary Inc. d/b/a AmSan Nebraska, found at County Contract No. C-08-0282, to provide and deliver custodial supplies and hard goods to various departments of the County and the City of Lincoln. Heier, Schorr, Hudkins and Workman voted aye. Motion carried.

**O. An amendment to the agreement between Lancaster County and L.A. Young, found at County Contract No. C-08-0371, for the service of a nurse practitioner at the Lancaster County Community Mental Health Center. The amendment changes the total hours worked per week from a maximum of 32 hours per week to a maximum of 36 hours per week. The rate for services is \$65 per hour. (C-08-0652)**

**MOTION:** Heier moved and Schorr seconded approval of an amendment to the agreement between Lancaster County and L.A. Young, found at County Contract No. C-08-0371, for the service of a nurse practitioner at the Lancaster County Community Mental Health Center. Heier, Schorr, Hudkins and Workman voted aye. Motion carried.

5) **NEW BUSINESS CONTINUED:**

**P. Internet Crimes Against Children grant application from Lancaster County to the Nebraska State Patrol providing for payment of \$10,000 to Lancaster County. (C-08-0655)**

**MOTION:** Hudkins moved and Heier seconded approval of Internet Crimes Against Children grant application from Lancaster County to the Nebraska State Patrol providing for payment of \$10,000 to Lancaster County. Heier, Schorr, Hudkins and Workman voted aye. Motion carried.

**Q. Reconsideration of an award of bid for rock hauling to County stockpiles, in the total amount of \$590,129.20, for fiscal year 2009 to Husker Trucking, Hiskey Trucking, Westover Trucking and Buel Trucking found at County Bid No. B-08-0053.**

Fox stated the bid was originally awarded with an incorrect total amount and also listed a hauler who was not the low bidder. He stated the original bid listed Hiskey Trucking instead of Husker Trucking and the amount of \$3.53 per ton as opposed to \$3.50 per ton. He added that the following item, New Business Item 5R, is the corrected recommendation.

**MOTION:** Heier moved and Schorr seconded to reconsider an award of bid for rock hauling to County stockpiles, in the total amount of \$590,129.20, for fiscal year 2009 to Husker Trucking, Hiskey Trucking, Westover Trucking and Buel Trucking found at County Bid No. B-08-0053. Heier, Schorr, Hudkins and Workman voted aye. Motion carried.

**R. Recommendation from the Purchasing Agent and the Lancaster County Engineering Department to award a bid for rock hauling to County stockpiles, in the total amount of \$590,485.20, for fiscal year 2009 to Husker Trucking, Hiskey Trucking, Kerford Limestone, Westover Trucking and Buel Trucking. (B-08-0054)**

**MOTION:** Schorr moved and Heier seconded approval to award a bid for rock hauling to County stockpiles, in the total amount of \$590,485.20, for fiscal year 2009 to Husker Trucking, Hiskey Trucking, Kerford Limestone, Westover Trucking and Buel Trucking as recommended by the Purchasing Agent and the Lancaster County Engineering Department. Schorr, Hudkins, Heier and Workman voted aye. Motion carried.

5) **NEW BUSINESS CONTINUED:**

**S. Appointment of Dr. Sanat Roy as the Medical Director of the Community Mental Health Center, with an annual salary of \$197,600, effective December 4, 2008.**

**MOTION:** Heier moved and Hudkins seconded approval of the appointment of Dr. Sanat Roy as the Medical Director of the Community Mental Health Center, with an annual salary of \$197,600, effective December 4, 2008. Hudkins, Schorr, Heier and Workman voted aye. Motion carried.

**T. Election of Lancaster County Board officers, effective January 1, 2009.**

**MOTION:** Hudkins moved and Schorr seconded to nominate and appoint Bernie Heier as Chair of the Board of Commissioners for 2009. Hudkins, Schorr, Heier and Workman voted aye. Motion carried.

**MOTION:** Schorr moved and Hudkins seconded to nominate and appoint Ray Stevens as Vice Chair of the Board of Commissioners for 2009. Heier, Schorr, Hudkins and Workman voted aye. Motion carried.

6) **CONSENT ITEMS:** *These are items of business that are routine which are expected to be adopted without dissent. Any individual item may be removed for special discussion and consideration by a Commissioner or by any member of the public without prior notice. Unless there is an exception, these items will be approved as one with a single vote of the Board of Commissioners. These items are approval of:*

**A. Receive and Place on File:**

- 1. Clerk of the District Court's Monthly Report for November, 2008.**
- 2. County Clerk's Monthly Report for November, 2008.**
- 3. Records and Information Management's Monthly Report for November, 2008.**
- 4. County Assessor/Register of Deeds Monthly Report for November, 2008.**

**B. A right-of-way contract relating to road improvements between the Lancaster County Engineering Department and John and Linda Munn, in the amount of \$119, on Bluff Road between North 148<sup>th</sup> to North 190<sup>th</sup> Street; Project C55-H-402(1). (C-08-0653)**

6) **CONSENT ITEMS CONTINUED:**

**MOTION:** Heier moved and Schorr seconded approval of the Consent Items. Schorr, Hudkins, Heier and Workman voted aye. Motion carried.

7) **ADJOURNMENT:**

**MOTION:** Schorr moved and Heier seconded adjournment of the Board of Commissioners meeting at 10:33 a.m.. Heier, Schorr, Hudkins and Workman voted aye. Motion carried.

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Dan Nolte  
County Clerk

**MINUTES  
LANCASTER COUNTY BOARD OF COMMISSIONERS  
TUESDAY, FEBRUARY 10, 2009  
COUNTY COMMISSIONERS HEARING ROOM, ROOM 112  
FIRST FLOOR, COUNTY-CITY BUILDING  
9:30 A.M.**

Commissioners Present: Bernie Heier, Chair  
Ray Stevens, Vice Chair  
Larry Hudkins  
Deb Schorr  
Bob Workman

Others Present: Kerry Eagan, Chief Administrative Officer  
Dan Nolte, County Clerk  
Cori Beattie, Deputy County Clerk  
Sue Glynn, County Clerk's Office  
Susan Starcher, County Clerk's Office  
Kristy Bauer, Deputy County Attorney

The location announcement of the Nebraska Open Meetings Act was given and the meeting was called to order at 9:30 a.m.

**1) MINUTES: Approval of the minutes of the Board of Commissioners meeting held on Tuesday, February 3, 2009.**

**MOTION:** Hudkins moved and Stevens seconded approval of the minutes of the Board of Commissioners meeting held on Tuesday, February 3, 2009. Hudkins, Stevens, Schorr, Workman and Heier voted aye. Motion carried.

**2) CLAIMS: Approval of all claims processed through Tuesday, February 10, 2009.**

**MOTION:** Stevens moved and Workman seconded approval of all claims processed through Tuesday, February 10, 2009. Schorr, Hudkins, Workman, Stevens and Heier voted aye. Motion carried.

**3) SPECIAL PRESENTATIONS:**

**A. A one-time cash award, in the amount of \$100.00, for Clarence Wolfe, an employee at Lancaster Manor, due to exceptional circumstances.**

**MOTION:** Workman moved and Hudkins seconded approval of a one-time cash award, in the amount of \$100.00, for Clarence Wolfe, an employee at Lancaster Manor, due to exceptional circumstances. Workman, Schorr, Stevens, Hudkins and Heier voted aye. Motion carried.

**3) SPECIAL PRESENTATIONS (CONTINUED):**

**B. Presentation of Lancaster County Sheriff's Awards - Terry Wagner, Lancaster County Sheriff**

**Deputy Sheriff of the Year: Deputy Barry Barnett  
Exceptional Duty Award: Deputy Kirk Price  
Exceptional Duty Award: Sgt. Andrew Stebbing  
Civilian Employee of the Year: Brigitte Probert**

Lancaster County Sheriff Terry Wagner presented awards to the above employees and thanked them for their service to the County and their outstanding job performance.

**4) NEW BUSINESS:**

- A. A resolution in the matter of approving an additional expenditure in the amount of \$8,347 pursuant to Section 7 of a utility relocation agreement, found at County Contract No. C-08-0188, for Project No. C55-KP-412(1) on South 98<sup>th</sup> Street from Old Cheney Road to Pioneers Boulevard. (R-09-0006)**

**MOTION:** Stevens moved and Hudkins seconded approval of a resolution in the matter of approving an additional expenditure in the amount of \$8,347 pursuant to Section 7 of a utility relocation agreement, found at County Contract No. C-08-0188, for Project No. C55-KP-412(1) on South 98<sup>th</sup> Street from Old Cheney Road to Pioneers Boulevard. Stevens, Workman, Schorr, Hudkins and Heier voted aye. Motion carried.

- B. An agreement between the City of Lincoln, Lancaster County, the Public Building Commission and Knoll, Inc., using cooperative Purchasing with the State of Nebraska, for the purchase and delivery of Knoll Systems Furniture. Pricing for products will be pursuant to the State contract. Term of the agreement is from October 1, 2008 through September 30, 2009. (C-09-0070)**

**MOTION:** Workman moved and Stevens seconded approval of an agreement between the City of Lincoln, Lancaster County, the Public Building Commission and Knoll, Inc., using cooperative purchasing with the State of Nebraska, for the purchase and delivery of Knoll Systems Furniture. Schorr, Hudkins, Stevens, Workman and Heier voted aye. Motion carried.

- C. A memorandum of agreement between CIMRO of Nebraska and Lancaster County, on behalf of the Lancaster Manor. The memorandum is required by Medicare statutes and regulations. CIMRO of Nebraska is the Quality Improvement Organization under contract with the Center for Medicare and Medicaid Services (CMS) to assume Federally mandated quality improvement responsibilities in Nebraska. (C-09-0071)**

4) **NEW BUSINESS (CONTINUED):**

**MOTION:** Hudkins moved and Workman seconded approval of a memorandum of agreement between CIMRO of Nebraska and Lancaster County, on behalf of Lancaster Manor. Schorr, Hudkins, Stevens, Workman and Heier voted aye. Motion carried.

- D. Amendment No. 1 to the 2008/2009 network provider contract with the Regional Behavioral Health Authority (Region V), found at County Contract No. C-08-0447, for certain behavioral mental health services at the Community Mental Health Center. The amendment amends Appendix A, Section VI, Behavioral Health Service Allocations regarding amounts reimbursed for services provided by the Community Mental Health Center. (C-09-0072)**

**MOTION:** Schorr moved and Stevens seconded approval of Amendment No. 1 to the 2008/2009 network provider contract with the Regional Behavioral Health Authority (Region V), found at County Contract No. C-08-0447, for certain behavioral mental health services at the Community Mental Health Center. Hudkins, Stevens, Schorr, Workman and Heier voted aye. Motion carried.

- E. An agreement with Speece-Lewis Engineers, Inc., in the amount of \$18,200, for roadway design and plan preparation on South 112<sup>th</sup> Street from "A" to "O" Streets; Project No. C55-J-401(1). Plans will be completed by May 15, 2009. (C-09-0073)**

**MOTION:** Workman moved and Stevens seconded approval of an agreement with Speece-Lewis Engineers, Inc., in the amount of \$18,200, for roadway design and plan preparation on South 112<sup>th</sup> Street from "A" to "O" Streets; Project No. C55-J-401 (1). Schorr, Hudkins, Workman, Stevens and Heier voted aye. Motion carried.

- F. An agreement with KCI USA, Inc., for specialized medical care and assistance to Lancaster County General Assistance clients who have pending claims with the Social Security Administration and may be eligible for retroactive Medicaid benefits. The agreement sets forth a reimbursement arrangement in which the County will provide payment for the medical care and KCI USA, Inc., will reimburse the County if/when the General Assistance client is later determined eligible for Medicaid reimbursement. The agreement is effective upon execution of both parties and contains a 30-day termination provision. (C-09-0076)**

**MOTION:** Workman moved and Hudkins seconded approval of an agreement with KCI USA, Inc., for specialized medical care and assistance to Lancaster County General Assistance clients who have pending claims with the Social Security Administration and may be eligible for retroactive Medicaid benefits. Schorr, Hudkins, Workman, Stevens and Heier voted aye. Motion carried.

**4) NEW BUSINESS (CONTINUED):**

- G. An agreement between Lancaster County and DataWorks Plus for digital crime scene software. Pricing for products and services is according to Attachment "A" of the contract. Term of the agreement will begin on the date of execution of the contract and end 12 months from the date of delivery of all products, equipment and software. (C-09-0077)**

**MOTION:** Hudkins moved and Stevens seconded approval of an agreement between Lancaster County and DataWorks Plus for digital crime scene software. Pricing for products and services is according to Attachment "A" of the contract. Workman, Schorr, Stevens, Hudkins and Heier voted aye. Motion carried.

- H. A facilities agreement between the Lancaster County Correctional Facility Joint Public Agency and Lancaster County. The agreement appoints the County as the agent of the Joint Public Agency for purposes of acquiring, constructing, equipping, and furnishing the new Adult Correctional Facility project. The agreement also provides that the County will maintain, operate and manage the correctional facility upon completion. (C-09-0078)**

**MOTION:** Stevens moved and Workman seconded approval of a facilities agreement between the Lancaster County Correctional Facility Joint Public Agency and Lancaster County. Schorr, Stevens, Hudkins, Workman and Heier voted aye. Motion carried.

- I. A site lease agreement with the Lancaster County Correctional Facility Joint Public Agency for lease of the property which will contain the new Lancaster County Correctional Facility. (C-09-0079)**

**MOTION:** Schorr moved and Stevens seconded approval of a site lease agreement with the Lancaster County Correctional Facility Joint Public Agency for lease of the property which will contain the new Lancaster County Correctional Facility. Stevens, Workman, Schorr, Hudkins and Heier voted aye. Motion carried.

- J. Recommendation from the Purchasing Agent and the Lancaster County Weed Control Authority to award a bid for weed control services to the following vendors on an as-needed basis: (B-09-0007)**

**Jacks Lawn Care  
Big Red Lawn Service  
B&B Lawn Service  
Lee's Lawn Maintenance  
All Care Grounds Maintenance  
ProMow Inc.**



**4) NEW BUSINESS (CONTINUED):**

**MOTION:** Hudkins moved and Stevens seconded approval to award a bid for weed control services to Jacks Lawn Care, Big Red Lawn Care Service, B&B Lawn Service, Lee's Lawn Maintenance, All Care Grounds Maintenance and ProMow Inc. Workman, Schorr, Hudkins, Stevens and Heier voted aye. Motion carried.

- K. Recommendation from the Purchasing Agent and the Lancaster County Chief Deputy Sheriff to issue an order from State of Nebraska contract number 12325 OC to Husker Auto Group for one (1) 2009 Chevrolet Impala Sedan, in the amount of \$17,139. (B-09-0008)**

**MOTION:** Workman moved and Stevens seconded approval to issue an order from State of Nebraska contract number 12325 OC to Husker Auto Group for one (1) 2009 Chevrolet Impala Sedan, in the amount of \$17,139. Schorr, Hudkins, Stevens, Workman and Heier voted aye. Motion carried.

- L. A political subdivision tort claim filed against the Lancaster County Corrections Department by Mario Martinez, in the amount of \$2.80, for lost property.**

**MOTION:** Schorr moved and Stevens seconded to accept the recommendation of the Corrections Director and deny the political subdivision tort claim filed against the Lancaster County Corrections Department by Mario Martinez, in the amount of \$2.80, for lost property. Hudkins, Stevens, Schorr, Workman and Heier voted aye. Motion carried.

- M. Request from the Lancaster County Personnel Policy Board to revise the Family and Medical Leave Act Personnel Policy Bulletin, with revision to Paragraph 11, allowing 14 calendar days to cure any deficiencies.**

**MOTION:** Workman moved and Hudkins seconded approval of a request from the Lancaster County Personnel Policy Board to revise the Family and Medical Leave Act Personnel Policy Bulletin as proposed, including retaining the reference in Paragraph 11 allowing for 7 calendar days to cure any deficiency, as recommended by the County Attorney's Office. Hudkins, Stevens, Schorr, Workman and Heier voted aye. Motion carried.

- 5) CONSENT ITEMS: *These are items of business that are routine which are expected to be adopted without dissent. Any individual item may be removed for special discussion and consideration by a Commissioner or by any member of the public without prior notice. Unless there is an exception, these items will be approved as one with a single vote of the Board of Commissioners. These items are approval of:***

**5) CONSENT ITEMS (CONTINUED):**

**A. Receive and Place on File:**

- 1. County Clerk's Monthly Report for January, 2009.**
- 2. Clerk of the District Court's Monthly Report for January, 2009.**
- 3. County Assessor/Register of Deed's Monthly Report for January, 2009.**
- 4. Lincoln Housing Authority's Annual Report for 2008.**
- 5. Financial Statements for the Joint Antelope Valley Authority for the Years Ended August 31, 2008 and 2007**

**B. A leasehold contract for a road project between the Lancaster County Engineering Department and Richard Parrott, in the amount of \$10, at North 1<sup>st</sup> Street and Alvo Road; Project No. C55-F-406(1). (C-09-0074)**

**C. A right-of-way contract for a road project between the Lancaster County Engineering Department and Nebraska Game and Parks three-quarters of a mile south of S.W. 112<sup>th</sup> Street and Pioneers Boulevard; Project No. CP-N-157. This is a donation. (C-09-0075)**

**MOTION:** Stevens moved and Hudkins seconded approval of the Consent Items. Schorr, Hudkins, Workman, Stevens and Heier voted aye. Motion carried.

**6) ADJOURNMENT:**

**MOTION:** Stevens moved and Hudkins seconded adjournment of the Board of Commissioners meeting at 10:08 a.m. Workman, Schorr, Stevens, Hudkins and Heier voted aye. Motion carried.

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Dan Nolte  
County Clerk

**MINUTES  
LANCASTER COUNTY BOARD OF EQUALIZATION  
TUESDAY, FEBRUARY 10, 2009  
COUNTY COMMISSIONERS HEARING ROOM, ROOM 112  
FIRST FLOOR, COUNTY-CITY BUILDING  
IMMEDIATELY FOLLOWING THE REGULAR BOARD OF COMMISSIONERS  
MEETING**

Commissioners Present: Bernie Heier, Chair  
Ray Stevens, Vice Chair  
Larry Hudkins  
Deb Schorr  
Bob Workman

Others Present: Kerry Eagan, Chief Administrative Officer  
Dan Nolte, County Clerk  
Cori Beattie, Deputy County Clerk  
Sue Glynn, County Clerk's Office  
Kristy Bauer, Deputy County Attorney  
Scott Gaines, Deputy County Assessor/Register of Deeds

The location announcement of the Nebraska Open Meetings Act was given and the meeting was called to order at 10:00 a.m.

**1) MINUTES: Approval of the Minutes of the Board of Equalization meeting held on Tuesday, February 3, 2009.**

**MOTION:** Stevens moved and Hudkins seconded approval of the minutes of the Board of Equalization meeting held on Tuesday, February 3, 2009. Hudkins, Stevens, Schorr, Workman and Heier voted aye. Motion carried.

**2) ADDITIONS AND DEDUCTIONS: Approval of 6 additions and deductions to the tax assessment rolls per Attachments "A" and "B".**

**MOTION:** Schorr moved and Hudkins seconded approval of the additions and deductions to the tax assessment rolls. Schorr, Hudkins, Workman, Stevens and Heier voted aye. Motion carried.

**3) MOTOR VEHICLE TAX EXEMPTION APPLICATIONS:**

**Alzheimer's Association  
Christian Record Services  
Cornhusker Place of Lincoln - Lancaster County  
Madonna Rehabilitation Hospital  
Sisters of Mary, Queen of Mercy  
Trinity Lutheran Church and School  
Wyuka Funeral Home and Cemetery**

**3) MOTOR VEHICLE TAX EXEMPTION APPLICATIONS CONTINUED:**

**MOTION:** Schorr moved and Hudkins seconded approval of motor vehicle tax exemptions for Alzheimer's Association; Christian Record Services; Cornhusker Place of Lincoln-Lancaster County; Madonna Rehabilitation Hospital; Sisters of Mary, Queen of Mercy; Trinity Lutheran Church and School; and Wyuka Funeral Home and Cemetery. Schorr, Workman, Stevens, Hudkins and Heier voted aye. Motion carried.

**4) ADJOURNMENT:**

**MOTION:** Schorr moved and Hudkins seconded adjournment of the Board of Equalization Meeting at 10:10 a.m. Schorr, Stevens, Hudkins, Workman and Heier voted aye. Motion carried.

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Dan Nolte  
County Clerk

SEP 05 2008

BEFORE THE BOARD OF COMMISSIONERS LANC. COUNTY CLERK  
OF THE COUNTY OF LANCASTER, NEBRASKA

A RESOLUTION APPROVING THE )  
EXECUTION AND DELIVERY OF A JOINT )  
PUBLIC AGENCY AGREEMENT )  
CREATING THE LANCASTER COUNTY )  
CORRECTIONAL FACILITY JOINT PUBLIC )  
AGENCY; AND RELATED MATTERS )

RESOLUTION NO. R-08-0075

BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE COUNTY OF LANCASTER, NEBRASKA:

WHEREAS, the Joint Public Agency Act (Chapter 13, Article 25, Reissue Revised Statutes of Nebraska, as amended, the "Act") permits local government units to make the most efficient use of their taxing authority and other powers by enabling them to cooperate with other governmental units on a basis of mutual advantage and to provide services and facilities in a manner and pursuant to forms of governmental organization that will accord best with geographic, economic, population, and other factors influencing the needs and development of local communities;

NOW THEREFORE, BE IT RESOLVED that the Board of Commissioners (the "Board") of The County of Lancaster, Nebraska (the "County"), finds and determines that there exists a need for the creation of a joint public agency (the "Agency") pursuant to the Act to facilitate acquiring, constructing, equipping, furnishing and financing correctional facilities for the benefit of residents of the County as provided in the Act. The participants in the Agency will be the County and The City of Lincoln, Nebraska (the "City").

NOW THEREFORE BE IT FURTHER RESOLVED that the form, terms and provisions of the proposed Joint Public Agency Agreement Creating the Lancaster County Correctional Facility Joint Public Agency (the "Agreement") between the County and the City are, in all respects, hereby approved, authorized, ratified and confirmed, and the Chair or Vice Chair and the Clerk are each separately and individually hereby authorized and directed to execute, acknowledge and deliver the Agreement, including counterparts thereof, in the name and on behalf of the County. The Agreement, as executed and delivered, shall be in substantially the form attached hereto as Exhibit A subject to such changes therein as shall be approved by the officer of the County executing the same, such execution thereof to constitute conclusive evidence of the County's approval of any and all changes or revisions therein from the form of the Agreement now set forth in Exhibit A; and from and after the execution and delivery of the Agreement by the County, the officers, agents and employees of the County are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Agreement.

NOW THEREFORE BE IT FURTHER RESOLVED that (a) if any provision of this Resolution shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatsoever; (b) to the extent that the provisions of this Resolution conflict with provisions of prior resolutions, or parts thereof, the provisions of this Resolution shall control, to the extent of such conflicts; and (c) this Resolution shall be in full force and effect immediately upon its passage and approval.

PASSED: September 9, 2008, at Lincoln, Lancaster County, Nebraska.

BY THE BOARD OF COMMISSIONERS OF  
THE COUNTY OF LANCASTER, NEBRASKA

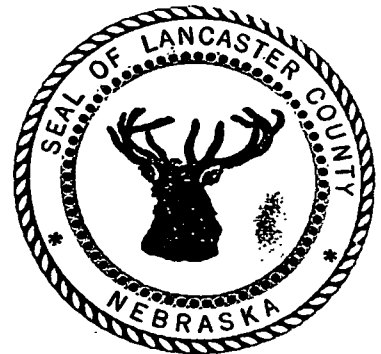
Deb Schorr  
Paul Thompson  
Bob Workman  
Debra Beck  
Larry Hudkins

APPROVED AS TO FORM  
this 9 day of September, 2008.

[Signature]  
(Deputy) County Attorney

I, Nelisa Koci, on this date, 9-9-08,  
as an employee of the Lancaster County Clerk's  
office in Lincoln, Nebraska do hereby certify  
that this is a true and accurate copy of an  
original record on file in this office.

Record # R-08-0075  
By Nelisa Koci



**JOINT PUBLIC AGENCY AGREEMENT  
CREATING THE  
LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY**

This **JOINT PUBLIC AGENCY AGREEMENT** (the "Agreement"), dated September \_\_\_\_, 2008, is between **THE CITY OF LINCOLN, NEBRASKA** (the "City"), and **THE COUNTY OF LANCASTER, NEBRASKA** (the "County").

**RECITALS**

1. The County is a duly created and existing political subdivision of the State of Nebraska (the "State") pursuant to Section 22-155, Reissue Revised Statutes of Nebraska, as amended.
2. The City is duly organized and validly existing as a city of the primary class and political subdivision of the State pursuant to Chapter 15, Reissue Revised Statutes of Nebraska, as amended, and its home rule charter (the "Charter").
3. The City and the County have entered into a Correctional Facilities Interlocal Agreement pursuant to which the County has undertaken the responsibility for all adult intake and correctional facilities (the "Correction Facilities") and assumed the safekeeping, care, and sustenance of all City offenders held in the Correctional Facilities.
4. The County has determined that it is necessary, desirable, advisable and in the best interest of the County and its residents (including the City) to construct, equip and furnish new correctional facilities (the "Project") to comply with correctional facilities standards of the State.
5. The County and the City (collectively, the "Participants") desire to make the most efficient use of their taxing authority and other powers 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 both the County and the City.
6. The Participants have determined that to achieve the objectives set forth above, it is necessary, desirable, advisable and in the best interest of the Participants that a joint public agency be formed by the Participants pursuant to the Joint Public Agency Act (Chapter 13, Article 25, Reissue Revised Statutes of Nebraska, as amended, the "Act").
7. The Participants have passed resolutions after published notice as required by the Act determining that it is necessary, desirable, advisable and in the best interest of the Participants that they form a joint public agency pursuant to the Act to finance the Project through bonds issued by such agency.

**NOW THEREFORE**, in consideration of the premises and covenants contained herein, the Participants agree as follows:

**ARTICLE I**

**CREATION OF THE JOINT PUBLIC AGENCY**

Pursuant to the Act, the Participants hereby create a joint public agency which shall be named the Lancaster County Correctional Facilities Joint Public Agency (the "Agency") and which shall constitute a separate political subdivision and a public body corporate and politic of the State of Nebraska as provided by the Act. The Agency shall be subject to control by the Participants in accordance with the terms hereof. The governing body of each Participant has passed a resolution after published notice of the same as required by the JPA Act determining that a need for the Agency exists. A certified copy of each approving resolution shall be kept on file by the Agency at the County Clerk's office located at 555 South 10<sup>th</sup> Street, Lincoln, Nebraska, 68508. The governing body of the Agency (the "Board") shall submit the statement required by Section 13-2510, Reissue Revised Statutes of Nebraska, as amended, to the Secretary of State. The Agency's existence shall commence upon the issuance of a certificate of creation by the Secretary of State as provided in Section 13-2511, Reissue Revised Statutes of Nebraska, as amended.

## ARTICLE II

### PURPOSES

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 for the construction, equipping, furnishing and financing of the Project and any other capital improvements or other projects pertaining to the Correctional Facilities 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.

(c) To acquire land for and acquire and construct capital improvements to the Correctional Facilities, to issue bonds to finance the same, and to levy a tax as provided by the Act and this Agreement to pay the principal or redemption price of and interest on such bonds, when and as the same shall become due.

## ARTICLE III

### ORGANIZATION

**Section 301. Governing Body.** The Board of the Agency shall consist of the following representatives:

1. Mayor of the City
2. Chair of the Board of Commissioners of the County
3. Chair of the Council of the City
4. Vice Chair of the Board of Commissioners

**Section 302. Term of Office.** Unless otherwise disqualified by the provisions of the Act, and except as provided herein or any amendment hereto, each representative shall serve for so long as such representative holds the position set forth in Section 301.



**Section 303. 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 herein, 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.

**Section 304. Rules of Governance.** 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 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.

**Section 305. Meetings and Notice.** Meetings of the Board may be called by the chair or any two representatives. Written notice of the meeting and agenda shall be provided to each representative, the City Clerk, and the County Clerk at least seven days prior to each such meeting.

The Board shall also give public notice of the meeting pursuant to Section 84-1411, Reissue Revised Statutes of Nebraska, as amended. Public notice shall be given by posting a notice of the meeting on the official bulletin board of the County in the County-City Building, 555 South 10<sup>th</sup> Street, Lincoln, Nebraska, under the heading of "PUBLIC NOTICE OF MEETING," maintaining an agenda in the office of the County Clerk which shall be available for inspection by the public. All meetings shall be conducted in accordance with the Open Meetings Act (Chapter 84, Article 14, Reissue Revised Statutes of Nebraska, as amended).

**Section 306. Treasurer's Bond.** In the event that there is no treasurer's bond that expressly insures the Agency against loss resulting from the fraudulent, illegal, negligent, or otherwise wrongful or unauthorized acts or conduct by or on the part of any person authorized to sign checks, drafts, warrants, or other instruments in writing, there shall be procured and filed with the secretary of the Agency, together with the written authorization filed with the secretary, a surety bond, effective for protection against the loss, in such form and penal amount and with such corporate surety as shall be approved in writing by the signed endorsement thereon of any two officers of the Agency other than the treasurer.

#### ARTICLE IV

##### 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 Article XIII hereof.

#### ARTICLE V

##### 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, liabilities, 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 indentures, 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 Lancaster County 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 herein. Such levy authority may be exercised by the Agency only to the extent the assigning Participant restricts the exercise of its own levy authority to the same degree and the levy authority allocated to the Agency is reported to the Property Tax Administrator; and

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

## ARTICLE VI

### ISSUANCE OF BONDS

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

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

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

## ARTICLE VII

### LEVY AUTHORITY

Pursuant to the provisions of Section 13-2507:

(a) the County hereby irrevocably allocates and assigns to the Agency, for the period beginning September 15, 2008 and ending on the date upon which all of the Agency Bonds (hereinafter defined) 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 County, beginning in the year 2008 for collection in 2009, for the purpose of paying the costs of Correctional Facilities pursuant to Section 23-120(2), Reissue Revised Statutes of Nebraska, as amended, an amount equal to \$2,000,000 (the "County Levy") to be levied solely for the purpose of paying the principal or redemption price of and interest on such bonds of the Agency as may be issued for the purpose of acquiring land for, and constructing, equipping and furnishing Correctional Facilities (the "Agency Bonds").

(b) the City hereby irrevocably allocates and assigns to the Agency, for the period beginning September 15, 2008 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 2008 for collection in 2009, for the purpose of paying the costs of Correctional Facilities pursuant to Section 15-202, Reissue Revised Statutes of Nebraska, as amended, in an amount which, when added to the County Levy, 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 "City Levy"), solely for the purpose of paying the principal or redemption price of and interest on the Agency Bonds.

The County hereby covenants and agrees that it shall not, for any year so long as the Agency Bonds remain outstanding, cause a tax to be levied pursuant to Section 23-120 unless and until (a) the County Levy is sufficient to generate tax revenues sufficient to pay the principal or redemption price of and interest on the Agency Bonds as the same become due the following year based upon the then-current and applicable certified valuation of property to be taxed; (b) the Agency has certified the County Levy to the County Board; (c) there remains unused for that tax year a portion of the County Levy authority under Section 23-120, Reissue Revised Statutes of Nebraska, as amended.

The County shall implement the Agency Bond Levy as requested by the Agency as may be required to pay the principal or redemption price of and interest on the Agency Bonds as the same become due, and shall not levy less than the Agency's lawful requested or certified levy, as long as any Agency Bonds remain outstanding.

The County shall collect and disburse to the trustee named by the Agency, all taxes collected under the Agency Bond Levy.

## ARTICLE VIII

### EXPENSES

All expenses of the Agency not payable from the proceeds of the Agency Bonds, including without limitation, travel expenses, administrative costs, insurance and professional fees, shall be paid by the County.

## **ARTICLE IX**

### **BUDGETING**

The Board shall prepare a budget based on a fiscal year coinciding with the fiscal year of the County 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 County Board 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.

## **ARTICLE X**

### **BIENNIAL REPORT**

Commencing in 2009, and each odd-numbered year thereafter, the Agency shall deliver to the Secretary of State a biennial report on a form prescribed and furnished by the Secretary of State, such fee and any other information or requirements as may be specified in Section 13-2525, Reissue Revised Statutes of Nebraska, as amended.

## **ARTICLE XI**

### **NOT FOR PROFIT**

It is expressly understood that the Agency is a public body and is to be operated not for profit, and no profit, dividend or Agency asset shall inure to the benefit of any individual.

## **ARTICLE XII**

### **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 hereto or any other agreements with the Agency. Withdrawal shall not impair or adversely affect the levy of the City Levy or the County Levy or receipt of revenues for, or the payment of, any outstanding bonds or indebtedness or the interest thereon.

## **ARTICLE XIII**

### **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 County continues to have the responsibility for the Correction Facilities and the safekeeping, care, and sustenance of all City offenders held in the Correctional Facilities, all interest in the land, capital improvements,

personal property and all other assets of the Agency used in the operation of the Correctional Facilities financed by the Agency Bonds remaining in the Agency shall be transferred to the County.

**ARTICLE XIV**

**MANNER OF ACQUIRING AND HOLDING PROPERTY**

The Board may lease, purchase or acquire by any means, from a Participant or from any other source, such real and personal property as is required for the operation of the Agency and for carrying out the purposes hereof. The title to all such property, personal or real, shall be held in the name of the County. The Agency shall comply with the applicable bidding procedures of the County Purchasing Act (Chapter 23, Article 31, Reissue Revised Statutes of Nebraska, as amended). The County 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.

**ARTICLE XV**

**AMENDMENT**

This Agreement may be amended in writing, signed by all the Participants; provided, however, no amendment may be made limiting the duty of the Agency or the Participants to levy and collect taxes for the payment of any Agency Bonds. Any amendment hereto 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.

**ARTICLE XVI**

In exercising its authority and carrying out its duties and functions the Agency 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.

**CITY OF LINCOLN, NEBRASKA**

By: \_\_\_\_\_  
Mayor

**THE COUNTY OF LANCASTER, NEBRASKA**

By: \_\_\_\_\_  
Chair

**BEFORE THE BOARD OF COMMISSIONERS  
OF THE COUNTY OF LANCASTER, NEBRASKA**

**A RESOLUTION OF THE COUNTY OF )  
LANCASTER, NEBRASKA APPROVING )  
THE ISSUANCE OF NOT TO EXCEED )  
\$65,000,000 PRINCIPAL AMOUNT OF )  
AMOUNT OF THE LANCASTER COUNTY )  
CORRECTIONAL FACILITY JOINT PUBLIC )  
AGENCY BUILDING BONDS; AND )  
RELATED MATTERS. )**

RESOLUTION NO. R-08-0105

**Section 1.** The Board of Commissioners (the “**Board**”) of The County of Lancaster, Nebraska (the “**County**”) hereby finds and determines as follows:

(a) The Board has heretofore authorized the execution and delivery of the Joint Public Agency Agreement Creating the Lancaster County Correctional Facility Joint Public Agency dated September 9, 2008 (the “**Agreement**”) between the County and The City of Lincoln, Nebraska (the “**City**”) creating the Lancaster County Correctional Facility Joint Public Agency (the “**Agency**”) for the purpose of financing the construction, equipping and furnishing of correctional facilities (the “**Project**”) to be operated by the County for the benefit of the City and the County.

(b) The County, the City, and the Agency have determined that it is necessary, desirable, advisable and in the best interests of the County, the City, and the Agency that the Agency issue not to exceed \$65,000,000 in aggregate principal amount of its Building Bonds, dated the date of delivery thereof (the “**Bonds**”), for the purpose of (a) paying the costs of the Project, and (b) paying the costs of issuing the Bonds.

(c) **Article VI** of the Agreement provides that the Agency shall not issue any bonds or other form of indebtedness without the question of such bonds or indebtedness being first presented to, and approved by, the Board of Commissioners of the County and the Mayor and Board of the City.

**Section 2.** The issuance of the Bonds in an aggregate principal amount not to exceed \$65,000,000 having the principal maturities, interest rates and redemption provisions determined by the Chair of the Agency in accordance with the terms and conditions specified in the resolution of the Agency authorizing the issuance of the Bonds as shown on the form of the Notice of Intention to Issue Bonds attached hereto as **Exhibit A** is hereby ratified, confirmed and approved.

**Section 3.** This resolution shall take effect and be in force from and after its passage according to law.

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

DATED this 9 day of December 2008.

BY THE BOARD OF COUNTY  
COMMISSIONERS OF LANCASTER  
COUNTY, NEBRASKA

Bob Workman  
Quayle  
Tommy Anderson  
Scharr absent  
Stevens absent

APPROVED AS TO FORM  
this 9 day of December, 2008

[Signature]  
(Deputy) County Attorney

**CLOSING CERTIFICATE  
THE CITY OF LINCOLN, NEBRASKA**

**\$64,390,000**

**Lancaster County Correctional Facility Joint Public Agency  
Correctional Facility Bonds, Series 2009**

**Dated: date of delivery  
(February 12, 2009)**

We, **CHRIS BEUTLER, DON HERZ and JOAN ROSS**, do hereby certify that we are the Mayor, Finance Director and Secretary, respectively, of The City of Lincoln, Nebraska (the "**City**"), and being duly sworn under oath, do hereby certify, represent, agree, covenant and warrant as follows:

**1. Meaning of Words and Terms.** Capitalized words and terms used herein, unless otherwise defined herein or the context requires otherwise, shall have the same meanings ascribed to such words and terms in the Joint Public Agency Agreement Creating the Lancaster County Correctional Facility Joint Public Agency dated September 9, 2008 (the "**JPA Agreement**"), duly executed and delivered by the City in connection with the issuance of the above-referenced bonds (the "**Bonds**") by the Lancaster County Correctional Facility Joint Public Agency (the "**Agency**").

**2. Organization and Authority.** The City is a city of the primary class and political subdivision of the State of Nebraska (the "**State**"), duly organized and validly existing under the laws of the State. The City has complied with all provisions of the Constitution, the laws of the State of Nebraska and its Home-Rule Charter and has full power and authority to consummate all transactions contemplated by the JPA Agreement and any and all other agreements relating thereto.

**3. Transcript of Proceedings.** The transcript of proceedings (the "**Transcript**") relating to the authorization and issuance of the Bonds furnished to Ameritas Investment Corp., the purchaser of the Bonds (the "**Purchaser**") is to the best of our knowledge, information and belief full, true, correct and complete; none of such proceedings has been modified, amended or repealed; and such facts as are stated in the Transcript still exist.

**4. Meetings; Notice and Agenda; Minutes.**

(a) Each meeting of the City at which action was taken relating to the Bonds and the execution and delivery of the JPA Agreement and any related documents, was at all times open to the public and was preceded by advance publicized notice duly given pursuant to and in compliance with the provisions of the Open Meetings Act, Chapter 84, Article 14, Reissue Revised Statutes of Nebraska, as amended; all of the subjects considered and acted on were contained in the agenda for each such meeting, which agenda was kept continuously current and available for public inspection at the office of the City; such subjects were contained in the agenda for at least 24 hours prior to such meeting; at the beginning of each meeting, the public was informed of the location of at least one posted current copy of the Open Meetings Act available and accessible to the public in the room in which each meeting was held; at least one copy of all resolutions and other reproducible written materials, for which actions were shown in such proceedings, was made available for examination and copying by the members of the public at the meeting or meetings in which such actions were taken; the minutes of each meeting of the City, all or a portion of which are included in the Transcript were, in accordance with standard practice, in written



form and available for public inspection within 10 working days and prior to the next convened meeting of the City; and all news media requesting notification of each such meeting of the City were provided with advance notice of the time and place of such meeting and the subjects to be discussed thereat.

(b) Notices of the meetings of the Council duly held on September 8 and December 8, 2008 in the form of the respective agendas for each of such meetings attached hereto as **Exhibit A**, were posted on the official bulletin board of the City in the County-City Building, 555 South 10th Street, Lincoln, Nebraska, under the heading of "PUBLIC NOTICE OF MEETING," more than 24 hours before each such meeting. Such notices (in the form of the respective agendas for each of such meetings) were on file in the City Clerk's office on September 3 and December 3, 2008.

(c) Attached hereto as **Exhibit B** are true and correct and correct extracts of the minutes of the legally convened meetings of the Council held on September 8, 2008 and December 8, 2008, which minutes reflect all actions taken in connection with the execution and delivery of the JPA Agreement and issuance of the Bonds.

(e) Attached hereto as **Exhibit C** is the Resolution authorizing the execution and delivery of the JPA Agreement passed by the Council on September 8, 2008, and approved by the Mayor on September 9, 2008, which has not been modified, amended, or rescinded and is in full force and effect on the date hereof

(e) Attached hereto as **Exhibit D** is the Resolution approving issuance of the Bonds passed by the Council on December 8, 2008, and approved by the Mayor on December 10, 2008, which has not been modified, amended, or rescinded and is in full force and effect on the date hereof

5. **Incumbency of Officers.** The following named persons were and are as indicated the duly qualified and acting members and officials of the City at all times during which such persons participated in the proceedings authorizing the execution and delivery of the JPA Agreement as shown in the Transcript:

<u>Name of Council Member</u>	<u>Term Commenced</u>	<u>Term Expires</u>
Jon Camp	May, 2007	May, 2011
Jonathan Cook	May, 2007	May, 2011
Doug Emery	May, 2007	May, 2011
Robin Eschliman (Chair)	May, 2005	May, 2009
Dan Marvin	May, 2005	May, 2009
John Spatz	May, 2007	May, 2011
Ken Svoboda	May, 2005	May, 2009

<u>Office</u>	<u>Name of Holder</u>
Mayor	Chris Beutler
Finance Director	Don Herz
City Attorney	John V. Hendry
City Clerk	Joan E. Ross

**6. Execution of Documents.** The JPA Agreement has been executed and delivered in the name and on behalf of the City by its duly authorized officers, pursuant to and in full compliance with the resolutions passed by the Council and approved by the Mayor at the meetings as shown in the Transcript; the copy of the JPA Agreement contained in the Transcript is a true, complete and correct copy or counterpart of the JPA Agreement as executed and delivered by the City and is in substantially the same form and text as the copy of the JPA Agreement that was before the Council; and has not been amended, modified or rescinded and is in full force and effect as of the date hereof.

All of the respective provisions, terms, conditions, form and content of the JPA Agreement, the Official Statement, and of all other documents executed by the City, including, without limitation, those executed on behalf of the City by the undersigned, in connection with authorization, issuance, and sale of the Bonds are hereby approved, ratified, and finalized.

**7. Preliminary Official Statement and Official Statement.** The Preliminary Official Statement and the Official Statement contained in the Transcript constitute full, true and correct copies of the Preliminary Official Statement and Official Statement relating to the Bonds. To the best of our knowledge, the information contained in the Preliminary Official Statement and in the Official Statement concerning the City and in Appendices C and D is true in all material respects and does not contain any untrue statement of a material fact or omit any material fact (except for the omission of such information in the Preliminary Official Statement as is permitted by Rule 15c2-12(b)(1) of the Securities and Exchange Commission) necessary in order to make the statements made therein concerning the City, in the light of the circumstances under which they were made, not misleading. As of this date there has been no material adverse change in the financial condition or the financial affairs of the City since the date of the issuance of the Preliminary Official Statement or the Official Statement, and no other event has occurred which is necessary to be disclosed in the Preliminary Official Statement or the Official Statement in order to make the statements therein not misleading in any material respect as of the date hereof. For the purpose of enabling the Purchaser to comply with the requirements of Rule 15c2-12(b)(1) of the Securities and Exchange Commission, the City hereby deems the information regarding the City contained in the Preliminary Official Statement to be "final" as of its date, except for the omission of such information as is permitted by Rule 15c2-12(b)(1), such as offering prices, interest rates, selling compensation, aggregate principal amount, principal per maturity, delivery dates, ratings, identity of the underwriters and other terms of the Bonds depending on such matters.

**8. Representations and Warranties.** The City has duly performed all of its obligations required to be performed at or prior to the date of this Closing Certificate by the JPA Agreement and each of the City's representations and warranties contained in the JPA Agreement is true as of the date hereof. The City has authorized, by all necessary action, the execution, delivery or receipt and due performance of the JPA Agreement and any and all such other agreements and documents as may be required to be executed, delivered and received by the City in order to carry out, give effect to and consummate the transactions contemplated by the JPA Agreement and the Official Statement. All acts, conditions and things required by the terms and provisions of the Constitution and laws of the State of Nebraska to be performed, exist or be completed by the City or others on or prior to the date hereof in order to cause the JPA Agreement to be a valid, binding and enforceable obligation of the City, have been duly performed, undertaken and completed, and the City has undertaken, and does hereby further undertake, to hereafter perform, cause to exist and complete all further and additional acts, conditions and things as may be necessary in order to assure that the JPA Agreement is a valid and binding obligation of the City as provided for in and contemplated by the JPA Agreement and the Official Statement. The adoption, execution, delivery, receipt and due performance of the JPA Agreement and any other agreements contemplated thereby under the circumstances contemplated thereby and

compliance by the City with the provisions thereof will not conflict with or constitute on the part of the City, a breach of or a default under any existing law, court or administrative regulation, decree or order or any resolution, agreement, indenture, mortgage, lease or other instrument to which the City is subject or by which it is bound.

9. **Non-Litigation.** There is no litigation, suit or other proceeding of any kind pending, or to our knowledge threatened, (a) seeking to restrain or enjoin the issuance or delivery of the Bonds, or (b) contesting, disputing or affecting in any way (1) the legal organization of the City, (2) the right or title of any of its officers to their respective offices, (3) the legality of any of its official acts shown to have been done in the Transcript, (4) the constitutionality or validity of the Bonds or the indebtedness represented by the Bonds, or any of the proceedings had in relation to the authorization, issuance or sale thereof, (5) the legality, validity or enforceability of the JPA Agreement, or (6) the delegation to the Agency of the City's ability to levy and collect an annual tax as set forth in the Bond Resolution to pay the principal or redemption price of and interest on the Bonds when and as the same becomes due, or (c) that could have a material adverse effect on the financial condition or operations of the City or its ability to perform its agreements and obligations under the JPA Agreement.

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

IN WITNESS WHEREOF, the undersigned, being thereunto duly authorized, have executed and delivered this Closing Certificate.

DATED: February 12, 2009.

THE CITY OF LINCOLN, NEBRASKA

By:   
Mayor

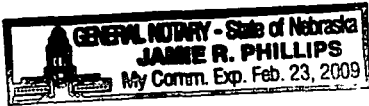
By:   
Finance Director

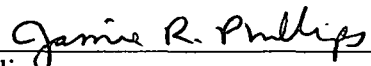
By:   
Clerk

STATE OF NEBRASKA     )  
  ) ss.  
COUNTY OF LANCASTER )

I HEREBY CERTIFY that I am a Notary Public in the State of Nebraska, and that I am personally acquainted with Chris Beutler, Don Herz and Joan Ross, whose signatures appear above; that I know they are the duly qualified and acting Mayor/Finance Director and Clerk, respectively, of the City, as indicated by the titles appended to their respective signatures; and I hereby identify such signatures as being in all respects true and genuine.

[S E A L]



  
Notary Public

**AGENDA FOR THE REGULAR CITY COUNCIL MEETING TO BE HELD  
MONDAY, SEPTEMBER 8, 2008 AT 1:30 P.M.**

**MAYOR'S AWARD OF EXCELLENCE**

Anyone wishing to address an item on the Consent Agenda may do so at this time

**PUBLIC HEARING**

**- CONSENT AGENDA -**

**REPORTS OF CITY OFFICERS**

- 1) Approving the distribution of funds representing interest earnings on short-term investments of Idle Funds during the month ended July 31, 2008.
- 2) Approving the City of Lincoln's Investment Activity Report from the City Treasurer for the Third Quarter, Fiscal Year 2007-08.
- 3) Clerk's Letter and Mayor's Approval of Resolutions and Ordinances passed by the City Council on August 18, 2008. (Placed on file)
- 4) Clerk's Letter and Mayor's Approval of Resolutions and Ordinances passed by the City Council on August 25, 2008. (Placed on file)
- 5) Lincoln Water & Wastewater System Recapitulation of Daily Cash Receipts for the month of August 2008. (Placed on file)
- 6) Report from City Treasurer of franchise tax for the month of July 2008 from Black Hills/Nebraska Gas Utility Co., LLC. (Placed on file)
- 7) Report from City Treasurer of E911 Surcharge for 2nd Quarter 2008: TWC Digital Phone LLC; July 2008: ACN Comm. Services, AT&T Comm. of Midwest, Budget Prepay, Comtel Telcom Assets, Granite Telecom., Level 3 Comm., Qwest Comm. Corp., TWC Digital Phone. (Placed on file)

- 8) Report from City Treasurer of Telecommunications Occupation Tax for Jan.-Apr. 2008: Bullseye Telecom; April 2008: Guaranteed Phone Service; May 2008: Guaranteed Phone Service; 2nd Quarter 2008: AccessLine Comm. Corp, AirCell, AireSpring, Comtel Telecom Assets, Helio, Matrix Telecom, Network US, Reliance Comm., Startec Operating, Southwest Comm., Telenational, Who's Calling, Windstream Nebraska; June 2008: ACN Comm. Services, Advanced Tel Inc., Andiamo Telecom, Bell Atlantic, Broadband Dynamics, Broadwing, Business Prod. Solutions, Business Telecom, Cimco, Cincinnati Bell Any Distance, Cricket, Earthlink, Global Crossing, Globalcom, Globalstar USA, Guaranteed Phone Service, IBM Global Services, IDT Corp., Intellicall Operator, KDDI America, LDMI, McLeodUSA, Nebraska Tech. & Telecomm., New Cingular Wireless, New Edge Network, Norstan Network, OnStar, PNG, Primus, Quantum Shift, Qwest, Telecorp, TON Services, TracFone Wireless, Trans National, TWC Digital, UCN, USCOC of Greater Iowa, USCOC of NE/KS, Verizon Select, Virgin Mobile USA, VoiceCom, Wholesale Carrier, Windstream Nebraska, Windstream Systems of the Midwest, Working Assets Funding Service; July 2008: Acceris, Alltel Comm. of Nebraska, ATS Mobile Telephone, BT Americas, Covista, D&D, Enhanced, First Communications, Globalcom, GTC Telecom, Lightyear Network Solutions, MCI, Nextel, LDMI, NOS Comm., NOSVA, SBC Long Distance, Sprint Communication, Sprint Spectrum, Tri-M, 360networks, Unite Private Networks, Windstream Nebraska, Windstream Systems of the Midwest, WWC License, Zone Telecom. (Placed on file)

#### **PETITIONS & COMMUNICATIONS**

- 9) Setting the hearing date of Monday, September 15, 2008 at 5:30 p.m. for the Application of Wal-Mart Stores Inc. dba Wal-Mart Supercenter 3823 for a Class D liquor license located at 3400 N. 85th Street.
- 10) Setting the hearing date of Monday, September 15, 2008 at 5:30 p.m. for the Application of Rendevous Cocktail Lounge Inc. dba Rendevous Cocktail Lounge for a Class I liquor license located at 118 S. 9th Street.

11)

The following have been referred to the Planning Department:

Change of Zone No. 08030 - App. of Charles and Nancy Ogden amending Section 27.63.400 of the Lincoln Municipal Code relating to the preservation of a historic structure as a permitted special use to allow the City Council to grant adjustments to the height and area regulations of the district in which a historic structure is located; and repealing Section 27.63.400 of the Lincoln Municipal Code as hitherto existing.

Change of Zone No. 08031 - App. of Charles and Nancy Ogden to designate property known as the Griswold House as a Historic Landmark located at 1256 Fall Creek Road.

Change of Zone No. 08045 - Req. by the Director of Planning amending Title 27 of the Lincoln Municipal Code relating to Zoning by amending Sections 27.19.030, 27.21.030, 27.23.030, 27.24.030, and 27.27.025 to clarify that group homes must comply with all applicable state and local code requirements and to add domiciliary care facility and elderly or retirement housing as a conditional permitted use in the R-5, R-6, R-7, R-8 and O-3 zoning districts, respectively; and repealing Sections 27.19.030, 27.21.030, 27.23.030, 27.24.030, and 27.27.025 of the Lincoln Municipal Code as hitherto existing.

Change of Zone No. 08047 - App. of Mark Hunzeker from H-3 Highway Commercial District to I-1 Industrial District on property generally located at N. 56th Street and Superior Street.

Special Permit No. 08027 - App. of Charles and Nancy Ogden for Historic Preservation for the addition of a carriage house, guest house plus garage, with waiver requests to the rear and side yard setbacks on property located at 1256 Fall Creek Road.

Special Permit No. 08038 - App. of Thomas Madsen for expansion of a non-conforming use on property generally located at N. 48th Street and Dudley Street.

12) MISCELLANEOUS REFERRALS

- END CONSENT AGENDA -

**PUBLIC HEARING  
LIQUOR RESOLUTIONS**

- 13) Application of Hy-Vee, Inc., dba Hy-Vee #1 for a Class D liquor license at 5010 O Street.
- 14) Manager application of Matthew T. Ludwig for Hy-Vee, Inc. dba Hy-Vee #1 at 5010 O Street.

**PUBLIC HEARING  
ORDINANCES - 2<sup>ND</sup> READING & RELATED RESOLUTIONS (as required)**

- 15) 08-117 Authorizing and providing for the issuance of a North 56th Street and I-80 Redevelopment Plan Tax Allocation Bond, Series 2008, in a total principal amount not to exceed \$5,500,000.
- 16) 08-112 Vacation 08003 - Vacating the north/south alley between N. 60th Street and N. 61st Street north of Seward Avenue.
- 17) 08-113 Comp. Plan Conformity 08019 - Declaring approximately 4,511 square feet of City owned property generally located at South 1st Street and L Street (348 S. 1st Street) as surplus.
- 18) 08-114 Comp. Plan Conformity 08020 - Declaring approximately 3,588 square feet of City owned property generally located at South 5th Street and G Street (447 G Street) as surplus.
- 19) 08-115 Comp. Plan Conformity 08021 - Declaring approximately 12,200 square feet of City owned property generally located at North 23rd Street and P Street as surplus.
- 20) 08R-201 Misc. 08009 - Amending the City of Lincoln Design Standards to adopt new Design Standards for Outdoor Lighting by repealing Chapter 2.30 - Street Lighting Design Standards; by repealing Section 8 of Chapter 3.00, Environmental Performance Standards for B-2 Planned Neighborhood Business District, B-5 Planned Regional Business District, I-3 Industrial Park District, I-3 Employment Center District and O-3 Office Park District; by repealing Section 3.8, Performance Standards for Outdoor Night Time Lighting, of Chapter 3.45, Design Standards for Parking Lots; by repealing Section 5, Outdoor Recreational Lighting, of Chapter 3.55, Design Standards



for Recreational Facilities; by amending Chapter 3.100, Design Standards for Outdoor Lighting, to delete existing provisions and to adopt General Provisions in Section 1, Materials and Methods of Installation in Section 2, Definitions in Section 3, Class I Lighting (General) provisions in Section 4, Class II Lighting (Accent/Decorative) provisions in Section 5, Class III Lighting (Street Lighting) provisions in Section 6, Class IV Lighting (Outdoor Recreational Facilities) provisions in Section 7, Class V Lighting (Salt Creek Tiger Beetle Environs) provisions in Section 8, Light Trespass and Glare in Section 9, Submission of Plans and Evidence of Compliance in Section 10, Installation in Section 11, Permanent Exemptions in Section 12, and Temporary Exemptions in Section 13. **(Related Items: 08R-201, 08-116) (Action Date: 9/15/08)**

- 21) 08-116 Change of Zone 08039 - Amending Title 27 of the Lincoln Municipal Code relating to Zoning by amending Section 27.41.030 to require lighting associated with the storage of vehicles for sale and resale in the front yard to comply with the Design Standards for Outdoor Lighting; amending Section 27.43.030 to require lighting in the front yard associated with automobile sales and repair, but not including vehicle body repair shops, to comply with the Design Standards for Outdoor Lighting; amending Section 27.63.130 to require outdoor lighting for recreational facilities to comply with the Design Standards for Outdoor Lighting; amending Section 27.63.170 to delete a redundant provision requiring any lighting facility for parking lots permitted by special permit in the R-1 through R-8 districts and in the O-2 district to comply with adopted design standards; amending Section 27.67.100 to require lighting for parking lots to comply with the Design Standards for Outdoor Lighting; and repealing Sections 27.41.030, 27.43.030, 27.63.130, 27.63.170 and 27.67.100 of the Lincoln Municipal Code as hitherto existing. **(Related Items: 08R-201, 08-116)**
- 22) 08-118 Amending Chapter 5.41 of the Lincoln Municipal Code relating to Salvaging, Recycling, and Composting Operations by amending Section 5.41.050 to increase the permit fees required under that chapter and to provide late fees and actions to be taken for failure to renew a permit before it expires; amending Section 5.41.060 to increase the occupation tax levied upon salvage operations and commercial composting operations; amending Section 5.41.070 to provide a percentage based late fee on occupation tax payments and to provide that a permit holder failing to pay said occupation tax before it is due shall be subject to closure or other appropriate action by the Health Director; and repealing Sections 5.41.050, 5.41.060, and 5.41.070 of the Lincoln Municipal Code as hitherto existing.

- 23) 08-119 Amending Title 8 of the Lincoln Municipal Code relating to Health and Sanitation, by amending Section 8.06.145 to increase open burning permit fees; amending Section 8.08.060 to increase body art establishment permit fees and to decrease the fee for an initial body art establishment permit issued after November 30 of each year from 70% to 67% of the annual fee; amending Section 8.08.090 to revise the renewal late fees for body art establishments to be a percentage of the annual fee; amending Section 8.08.350 to provide the reinstatement fee for suspended body art establishments or practitioners to be 50% of the annual fee; amending Section 8.14.037 to increase the plan review fees and certificate of compliance fees for child care programs and to decrease the annual fee paid for new certificates of compliance issued after July 31 of each year; amending Section 8.20.150 to increase food code permit fees and to decrease the fee for a new food establishment issued after November 30 of each year; amending Section 8.20.160 to revise the food code late fees to be a percentage of the annual fee; amending Section 8.20.170 to provide the food code reinstatement fees to be 50% of the annual fee; amending Section 8.24.150 to increase permit fees for variances of the noise control ordinance; amending Section 8.38.090 to increase public swimming pool permit fees and to establish late fees and enforcement actions to be taken by the Health Director for late renewals; amending Section 8.40.070 to increase spa facility permit and inspection fees and to establish fees and enforcement actions to be taken by the Health Director for late renewals; amending Section 8.44.070 to increase permit fees for water wells and to establish fees and enforcement actions to be taken by the Health Director for late renewals; and repealing Sections 8.06.145, 8.08.060, 8.08.090, 8.08.350, 8.14.037, 8.20.150, 8.20.160, 8.20.170, 8.24.150, 8.38.090, 8.40.070 and 8.44.070 of the Lincoln Municipal Code as hitherto existing.
- 24) 08-120 Amending Title 24 of the Lincoln Municipal Code, Plumbing and Sewers, by amending Section 24.38.070 to increase permit fees relating to on-site wastewater treatment systems; amending Section 24.42.110 relating to the transfer of property with on-site systems to increase the fee for evaluation and review of Property Transfer Inspector reports and any necessary site visits by Health Director; and repealing Sections 24.38.070 and 24.42.110 of the Lincoln Municipal Code as hitherto existing.

#### **PUBLIC HEARING - RESOLUTIONS**

- 25) 08R-207 Authorizing the execution and delivery of the Lancaster County Correctional Facility Joint Public Agency Agreement and related documents.

- 26) 08R-202      Accepting a quitclaim deed from Lancaster County School District 001 for a portion of Lot 1, Arnold Heights North Addition, and dedicating the same as street right-of-way for West Stanton Street; and declaring a portion of Lot 2 and Outlot D, Arnold Heights North as street right-of-way for West Stanton; for access to the relocated Arnold Elementary School, on property generally located at N.W. 48th Street and West Cumings Street.
- 27) 08R-203      Accepting the report of new and pending claims against the City and approving disposition of claims set forth for the period of August 1-15, 2008.
- 28) 08R-204      Authorizing and supporting the Parks & Recreation Department's submittal of a grant application to the Transportation Enhancement Program of the State of Nebraska Department of Roads to fund the construction of 3,300 feet of a trail connecting Tierra/Williamsburg Trail with the Yankee Hill Trail generally from 36th and San Mateo Drive to 34th and Yankee Hill Road.
- 29) 08R-205      Declaring the official intent of the City to reimburse certain expenses in connection with the purchase of a long term ground lease and the installation of streets and infrastructure for the Perot System Redevelopment Project located in the University of Nebraska Technology Park from the proceeds of City of Lincoln Tax Increment Financing Bonds.
- 30) 08R-206      Approving the City of Lincoln Redevelopment Agreement (Perot Systems Project) between the City and KDC-Lincoln Investments One LLC relating to the redevelopment of property generally located in the University of Nebraska Technology Park for construction of approximately 150,000 sq. ft. of commercial space.
- 31) 08R-208      Increasing fees for special waste permits as authorized under Chapter 8.32 of the Lincoln Municipal Code.
- 32) 08R-209      Amending the Lincoln Lancaster County Air Pollution Control Program Regulations and Standards to increase the fees for engineering review time for construction permits and the notification fee for asbestos removal project.

- END PUBLIC HEARING -

**ORDINANCES - 1<sup>ST</sup> READING & RELATED RESOLUTIONS (as required)**

- 33) 08-69      Comp. Plan Conformity 07023 - Declaring approximately 2,739 square feet of property generally located at south 46th Street and O Street as surplus.  
**(Related Items: 08-69, 08-68)**
  
- 34) 08-68      Vacation 07008 - Vacating a portion of South 46th Street abutting O Street consisting of approximately 2,249 square feet and retaining title thereto.  
**(Related Items: 08-69, 08-68)**
  
- 35) 08-121     Amending Chapter 2.76 of the Lincoln Municipal Code relating to the City's Personnel System by amending Section 2.76.380, Sick Leave with Pay, and Section 2.76.395, Vacation Leave with Pay, to reflect negotiated changes and changes applicable to employees with a pay range prefixed by "N" or "X" not represented by a bargaining unit.
  
- 36) 08-122     Amending Section 2.78.020, Management Compensation Plan, of the Lincoln Municipal Code to reflect negotiated changes and changes applicable to employees with a pay range prefixed by "M" not represented by a bargaining unit.
  
- 37) 08-123     Adopting pay schedules and schedules of pay ranges for employees whose classifications are assigned to pay ranges prefixed by the letter X.
  
- 38) 08-124     Approving a lease agreement between the City and the Firth Community Center for the lease of space by the Lincoln Area Agency on Aging for its ActivAge Center Program at 311 Nemaha Street, Firth, Nebraska from September 1, 2008 to August 31, 2009.
  
- 39) 08-125     Amending Chapter 21 of the Lincoln Municipal Code, the Lincoln Housing Code, by amending Sections 21.01.185 and 21.01.212 relating to Maintenance of Premises and Inadequate Maintenance, respectively, to provide that the use of indoor upholstered furniture outdoors constitutes inadequate maintenance and repealing Sections 21.01.185 and 21.01.212 as hitherto existing.

**ORDINANCES - 3<sup>RD</sup> READING & RELATED RESOLUTIONS (as required)**

- 40) 08-107 Change of Zone 08027 - Amending Title 27 of the Lincoln Municipal Code, the Zoning Code, by adding a new Section 27.25.080 to provide that each application for a building permit in the O-1 Office District shall be reviewed for compliance with the Lincoln Downtown Design Standards; by amending Section 27.35.020 to add prohibited uses in the area of the B-4 Lincoln Center Business District from 150 feet east of 17th Street to the eastern edge of said district; amending Section 27.35.025 to delete recycling centers as a permitted conditional use in the B-4 district and to add vehicle body repair shops as a permitted conditional use in the area 150 feet east of 17th Street to the western edge of said district; amending Section 27.35.030 to modify existing provisions regarding permitted special uses in the B-4 district and to add service stations as a permitted special use in the area of the B-4 district from 150 feet east of 17th Street to the eastern edge of said district; amending Section 27.35.070 to modify the height and area regulations in the B-4 district; adding a new Section 27.35.080 to provide that each application for a building permit in the B-4 Lincoln Center Business District shall be reviewed for compliance with the Lincoln Downtown Design Standards; amending Section 27.63.180 to modify existing provisions regarding permitted special uses in the B-4 district and to add service stations as a permitted special use in the area from 150 feet east of 17th Street to the eastern edge of said district; amending Section 27.67.050 to modify special parking conditions in the B-4 district; amending Section 27.69.070 to allow certain permitted signs in the B-4 district beginning 150 feet east of 17th Street and continuing to the western boundary of said district and to allow certain permitted signs in the B-4 district beginning 150 feet east of 17th Street and continuing to the eastern boundary of said district; and repealing Sections 27.35.020, 27.35.025, 27.35.030, 27.35.070, 27.63.180, 27.67.050, and 27.69.070 of the Lincoln Municipal Code as hitherto existing. **(Related Items: 08-107, 08R-187, 08-108) (8/25/08 - Action Delayed 2 wks. to 9/8/08)**
- 41) 08R-187 Misc. 08007 - Amending the City of Lincoln Design Standards by amending Chapter 1.00 Request for Waiver Procedure, to add a new Section 2.5 to provide a separate process for waivers from the Lincoln Downtown Design Standards, and to add a new Chapter 3.76 to adopt Lincoln Downtown Design Standards for exterior features of projects requiring building permits in the B-4 Lincoln Center Business District and the O-1 Office District. **(Related Items: 08-107, 08R-187, 08-108) (Action Date: 8/25/08) (8/25/08 - Action Delayed 2 wks. to 9/8/08)**

- 42) 08-108 Change of Zone 08026 - Application of the Planning Director for a change of zone from R-6, R-7, and R-8 Residential Districts to B-4 Lincoln Center Business District; from I-1 Industrial Park District, P Public Use District and B-3 Commercial District to B-4 Lincoln Center Business District; and from R-6 Residential District and I-1 Industrial District to P Public Use District, on property in the Antelope Valley area generally located from K Street to Vine Street, from 17th Street to 23rd Street. **(Related Items: 08-107, 08R-187, 08-108) (8/25/08 - Action Delayed 2 wks. to 9/8/08)**

**PENDING LIST - DATE CERTAIN**

- 43) 08-5 Comp. Plan Conformity 07025 - Declaring approximately 43,200 square feet generally located at N.W. 52nd Street and West Huntington Ave. as surplus property and authorizing the sale thereof. (1/28/0 - Action Delayed 2 wks to 2/11/08) **(2/11/08 - Placed on Pending Indefinitely) (8/25/08 - Removed from Pending to have P.H. in 3 wks. on 9/15/08 w/Action on 9/22/08)**

**PENDING LIST**

- 44) 05-188 Change of Zone 3413 - Application of Landon's Neighborhood Assoc. for a change of zone from R-4 Residential to R-2 Residential on property generally located at N. 24th and Superior Streets. **(12/19/05 - Placed on Pending Indefinitely)**
- 45) 07-73 Amending Title 20 of the Lincoln Municipal Code, the Building Code, by adding a new Chapter 20.02, entitled Neglected Building Registration, to require registration of neglected, deteriorated and/or abandoned buildings, to require the filing of plans for restoration or demolition of abandoned buildings, and to establish penalties for violations thereof. **(5/7/07 - Placed on Pending, No Date Certain)**
- 46) 07-58 Change of Zone 07010 - Application of Steve M. Champoux for a change of zone from AG Agricultural District to AGR Agricultural Residential District on property generally located at 134th and A Streets. (Request of applicant to continue P.H. to 5/7/07) (4/16/07 - 2nd Reading & P.H. Con't. to 5/7/07 w/ Action 5/14/07) (Request to Delay Action w/con't. P.H. to 7/23/07) (5/14/07 - Action Delayed w/con't. P.H. to 7/23/07) (Request to Place on Pending - No Date Certain) **(7/23/07 - Placed on Pending, No Date Certain)**

- 47) 08-63 Annexation No. 08003 - Amending the Lincoln Corporate Limits Map by annexing approximately 63.13 acres of property generally located at N. 35th Street and Superior Street. **(Related Items: 08-63, 08-64) (6/9/08 - Placed on Pending, No Date Certain)**
  
- 48) 08-64 Change of Zone 08019 - Application of Robert and Victoria Rokeby for a change of zone from R-3 Residential District to H-3 Highway Commercial District on property generally located at N. 35th Street and Superior Street. **(Related Items: 08-63, 08-64) (6/9/08 - Placed on Pending, No Date Certain)**
  
- 49) 08-73 Change of Zone No. 08022HP - Application of Danja Pegram Siders, on behalf of Aginvest LLC, to designate the Dr. Slattery House at 5230 North 14th Street as a historic landmark. **(6/23/08 - Placed on Pending Indefinitely, w/con't P.H.)**
  
- 50) 08R-193 Approving the Development and Conditional Zoning Agreement between the City and Boyce Construction, Inc. for the development of the property located at North 14th Street and Superior Street subject to restrictions on maximum density, drive access to North 14th Street, and a drive access to the north boundary of the property to be compatible with the adjacent residential neighborhood. **(Related Items: 08R-193, 08-111) (Action Date: 9/8/08) (8/25/08 - Placed on Pending Indefinitely)**
  
- 51) 08-111 Change of Zone 08036 - Application of Boyce Construction for a change of zone from R-2 Residential District to R-5 Residential District on approximately 29,227 sq. ft. generally located at N. 14th Street and Superior Street. **(Related Items: 08R-193, 08-111) (8/25/08 - Placed on Pending Indefinitely)**

**WITH COUNCIL APPROVAL THE FOLLOWING RESOLUTIONS WILL HAVE  
PUBLIC HEARING ON MONDAY, SEPTEMBER 15, 2008, AT 5:30 P.M.:**

- 52) 08R-196 Waiver 08005 - Application of Nebraska District Church of the Nazarene to waive the parking lot surfacing requirements on property generally located at North 14th Street and New Hampshire Street.
  
- 53) 08R-210 Approving contracts with Cornerstone Printing and Imaging, A to Z Printing, and Capitol Graphics for offset printing and related services per Specification No. 08-175 for a three-year term with the option of two additional one-year terms.

- 54) 08R-211 Accepting the report of new and pending claims against the City and approving disposition of claims set forth for the period of August 16 - 31, 2008.
- 55) 08R-212 Adopting the StarTran fare structure to increase various fares.
- 56) 08R-213 Accepting, approving and ratifying the multiple provider contract between the State Department of Health & Human Services and the Lincoln Lancaster County Health Department for the Every Woman Matters (EWM) Program for the period of July 1, 2007 through June 30, 2012.

**Please note: During the Open Microphone & Registered Section of the agenda, individuals are allowed a total of 5 minutes to speak whether registered or not regardless of number of topics. The Open Microphone and Registered Section is available on the 2nd & Last Monday of each month.**

**ANY PERSON DESIRING TO HAVE THEIR NAME & SUBJECT MATTER LISTED ON THE FORMAL AGENDA PERTAINING TO MATTERS NOT ON THE CURRENT AGENDA, OR NOT SCHEDULED TO APPEAR ON A FUTURE AGENDA, SHOULD NOTIFY THE CITY CLERK IN WRITING BY 10:00 A.M. ON THE WEDNESDAY (9/24/08) PRIOR TO THE NEXT FORMAL CITY COUNCIL MEETING HAVING AN OPEN MICROPHONE SESSION WHICH IS 9/29/08.**

**ANYONE WISHING TO ADDRESS THE COUNCIL ON A MATTER NOT ON THIS AGENDA, AND NOT PLANNED TO APPEAR ON A FUTURE AGENDA, MAY DO SO AT THE OPEN MICROPHONE SESSION. OPEN MICROPHONE SESSIONS DURING THE MONTH OF SEPTEMBER ARE THE 8<sup>TH</sup> AND THE 29<sup>TH</sup>.**

**ADJOURNMENT**



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The City Council Meeting  
which is broadcast live at 1:30 p.m. every Monday and  
at 5:30 p.m. on the last Monday of each month  
will be rebroadcast on Saturdays at 1:00 p.m.,  
immediately following the Pre-Council Meeting  
on 5 City-TV, Cable Channel 5.

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The City Council Agenda and Action Sheet may be accessed on the Internet at:

[lincoln.ne.gov](http://lincoln.ne.gov)

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**AGENDA FOR THE REGULAR CITY COUNCIL MEETING TO BE HELD  
MONDAY, DECEMBER 8, 2008 AT 5:30 P.M.**

**THERE WILL BE NO CITY COUNCIL MEETINGS THE WEEKS OF  
DECEMBER 22 AND DECEMBER 29 DUE TO THE HOLIDAYS**

Anyone wishing to address an item on the Consent Agenda may do so at this time

**PUBLIC HEARING**

**- CONSENT AGENDA -**

**REPORTS OF CITY OFFICERS**

- 1) 08R-303 Appointing Dan Harshman, to replace Patricia McManus, and W. Don Nelson, to replace Tom Schleich, to the Lincoln Electric System Administrative Board for three-year terms expiring December 31, 2011.
- 2) Approving the distribution of funds representing interest earnings on short-term investments of Idle Funds during the month ended October 31, 2008.
- 3) Lincoln Water & Wastewater System Recapitulation of Daily Cash Receipts for the month of November, 2008. (Placed on file)
- 4) Clerk's Letter and Mayor's Approval of Resolutions and Ordinances passed by the City Council on December 1, 2008. (Placed on file)

**PETITIONS & COMMUNICATIONS**

- 5) Setting the hearing date of Monday, December 15, 2008 at 1:30 p.m. for the Application of Beacon Hills of Lincoln dba Beacon Hills for a Class I liquor license located at 5353 N. 27th Street.

6)

The following have been referred to the Planning Department:

Change of Zone No. 08059 - App. of Omaha Neon Sign Co. amending Chapter 27.69 of the Lincoln Municipal Code relating to Signs by amending Sections 27.69.047 and 27.69.049 to eliminate restrictions regarding the location of signs within 660 feet of a designated interstate; and repealing Sections 27.69.047 and 27.69.049 of the Lincoln Municipal Code as hitherto existing.

Change of Zone No. 08060 - Requested by the Director of Planning amending Chapter 27.03 of the Lincoln Municipal Code relating to zoning code definitions by adding a new section numbered 27.03.634 to provide a definition for truck stop; amending Sections 27.39.020 and 27.43.020 of the Lincoln Municipal Code relating to permitted uses in the H-1 Interstate Commercial District and H-3 Highway Commercial District, respectively, to add truck stops as a permitted use in said districts; and repealing Sections 27.39.020 and 27.43.020 of the Lincoln Municipal Code as hitherto existing.

Change of Zone No. 08061 - App. of Alan Slattery from AG Agricultural District to H-3 Highway Commercial District on property generally located at SW 48th Street and West O Street.

Change of Zone No. 08062 - App. of William Michener from R-4 Residential District to R-6 Residential District on property generally located at S. 26th Street and N Street.

Change of Zone No. 08063 - App. of Lincoln Community Playhouse amending Section 27.69.090 of the Lincoln Municipal Code relating to permitted signs for churches, schools and community playhouses to conditionally allow an electronic changeable copy sign fronting on an arterial street; and repealing Section 27.69.090 of the Lincoln Municipal Code as hitherto existing.

Special Permit No. 05046A - App. of William Michener for an amendment to expand the boundaries of the special permit for a Nonprofit Religious, Educational and Philanthropic Institution for the Lighthouse youth program on property generally located at S. 26th Street and N Street.

Special Permit No. 08049 - App. of J. Matt Carlson for expansion of a nonconforming use on property generally located at S. 54th Street and LaSalle Street (5401 LaSalle Street).

7) MISCELLANEOUS REFERRALS

- END CONSENT AGENDA -

**PUBLIC HEARING  
LIQUOR RESOLUTIONS**

- 8) Application of Lan Huynh dba L&K Liquor for a Class D liquor license at 335 North 27th Street.

**PUBLIC HEARING  
ORDINANCES - 2<sup>ND</sup> READING & RELATED RESOLUTIONS (as required)**

- 9) 08R-170 Approving the Wilderness Commons Conditional Annexation and Zoning Agreement between the City and Lincoln Federal Bancorp, Security Financial Life Insurance, Buffalo Grass LLC, B&J Partnership, Allen R. Hohensee and Susan K. Hohensee, relating to the annexation of approximately 92 acres of property generally located on the west side of South 40th Street and south of Yankee Hill Road. **(Related Items: 08R-170, 08-95, 08-96) (Action Date: 12/15/08)**
- 10) 08-95 Annexation No. 06019 - Application of Lincoln Federal Bancorp to amend the Lincoln Corporate Limits Map by annexing approximately 92 acres of property generally located on the west side of South 40th Street and south of Yankee Hill Road **(Related Items: 08R-170, 08-95, 08-96).**
- 11) 08-96 Change of Zone 06075 - Application of Lincoln Federal Bancorp for a change of zone from AG Agricultural District to B-2 Planned Neighborhood Business District and R-5 Residential District for a Planned Unit Development District consisting of approximately 300 dwelling units in the underlying R-5 zoned area and approximately 600,000 square feet of office/retail floor area in the underlying B-2 zoned area on property generally located on the west side of South 40th Street and south of Yankee Hill Road. **(Related Items: 08R-170, 08-95, 08-96)**
- 12) 08-161 Vacation No. 08007 - Application of Hoppe Partners, Ltd. to vacate the west 162 feet of the east-west alley between South 19th Street and South 20th Street and between K Street and L Street.
- 13) 08-162 Amending the pay schedule for a certain employee group by adjusting the hourly pay range schedule and schedules of annual, monthly, biweekly and hourly pay range equivalents for employees of the City of Lincoln whose classifications are assigned to pay ranges prefixed by the letter "E" to be effective January 22, 2009.

- 14) 08-163 Amending the pay schedule for a certain employee group by deleting the classifications of Women's Commission Manager, Affirmative Action Officer, and Director of Libraries.
- 15) 08-164 Change of Zone No. 08054 - Amending Section 27.67.030 of the Lincoln Municipal Code to limit parking in the front yard in the R-1 through R-4 zoning districts to one- and two-family dwellings and repealing Section 27.67.030 of the Lincoln Municipal Code as hitherto existing.
- 16) 08-165 Change of Zone 08055 - Amending Title 27 of the Lincoln Municipal Code to allow domestic shelters to be operated by for-profit entities in the H-2, H-3 and H-4 Commercial Districts by amending Section 27.03.213 to provide that domestic shelters comply with all applicable state licensure requirements; amending Sections 27.41.020, 27.43.020, and 27.45.020 to add domestic shelters as a permitted use in H-2, H-3, and H-4 Commercial Districts, respectively; and repealing Sections 27.03.213, 27.41.020, 27.43.020, and 27.45.020 of the Lincoln Municipal Code as hitherto existing.
- 17) 08-166 Change of Zone 08056 - Amending Section 27.27.020 of the Lincoln Municipal Code to allow domiciliary care facilities, group homes, and elderly or retirement housing as permitted uses in the O-3 Office Park District; and repealing Section 27.27.020 of the Lincoln Municipal Code as hitherto existing.
- 18) 08R-306 Approving the Wilderness Heights Conditional Annexation and Zoning Agreement between the City and Lincoln Federal Bancorp relating to the annexation of approximately 153 acres of property generally located on the east side of South 40th Street and south of Yankee Hill Road. **(Related Items: 08R-306, 08-167, 08-168) (Action Date: 12/15/08)**
- 19) 08-167 Annexation No. 07003 - Application of Lincoln Federal Bancorp to amend the Lincoln Corporate Limits Map by annexing approximately 153.28 acres of property generally located southeast of the intersection of South 40th Street and Yankee Hill Road. **(Related Items: 08R-306, 08-167, 08-168)**

- 20) 08-168 Change of Zone 07060 - Application of Lincoln Federal Bancorp for a change of zone from AG Agricultural District to B-2 Planned Neighborhood Business District for Wilderness Heights Planned Unit Development and from AG Agricultural District to R-3 Residential District for a Planned Unit Development District designation on the B-2 portion of the property, and for approval of a development plan which proposes modifications to the Zoning Ordinance, Land Subdivision Ordinance and Design Standards to allow approximately 225,000 square feet of commercial floor area and approximately 60 dwelling units on property generally located southeast of the intersection of South 40th Street and Yankee Hill Road. **(Related Items: 08R-306, 08-167, 08-168)**

#### **PUBLIC HEARING - RESOLUTIONS**

- 21) 08R-300 Special Permit 08036 - Application of Hartland Homes, Inc. to develop Hartland Estates 1st Addition Community Unit Plan for four dwelling units, together with a waiver of the requirements of the Land Subdivision Ordinance and the Zoning Ordinance to reduce the required lot depth and to reduce the rear yard setbacks, on property generally located at S.W. 12th Street and West A Street. **(11/17/08 - Introduction Delayed to 12/1/08 w/P.H. on 12/8/08)**
- 22) 08R-304 Approving a two-year Grant Contract between the City of Lincoln and Human Services Federation to provide grant funds in the amount of \$10,000.00 per year for its Lincoln CASH Campaign (Creating Assets, Savings and Hope) program.
- 23) 08R-305 Approving an Agreement between the Nebraska Department of Health and Human Services Division of Children and Family Services and the Lincoln Lancaster County Health Department whereby the Health Department will provide for the delivery of a Refugee Health Screening Program for new refugee arrivals and other eligible populations for the prevention and control of communicable disease pursuant to federal financial assistance for the period of July 1, 2008 to June 30, 2011.
- 24) 08R-307 Special Permit No. 08048 - Application of Lincoln Family Church to allow a parking lot in the front yard setback on property generally located at North 70th Street and Kearney Avenue.
- 25) 08R-308 Approving and adopting the Lower Platte South NRD Multi-Jurisdictional Hazard Mitigation Plan for eligibility of federal disaster mitigation funds.

- 26) 08R-309 Accepting the report of new and pending claims against the City and approving disposition of claims set forth for the period of November 1 -15, 2008.
- 27) 08R-310 Approving the issuance of not to exceed \$65,000,000 principal amount of Lancaster County Correctional Facility Joint Public Agency Building Bonds.
- 28) 08R-311 Authorizing the City's negotiation team to present the Labor Contract to IAFF Local 644 for the period of August 21, 2008 through August 31, 2009 as the City's last best offer on the terms as outlined in the proposed contract as **Option 1.**
- 29) 08R-312 Authorizing the City's negotiation team to present the Labor Contract to IAFF Local 644 for the period of August 21, 2008 through August 31, 2009 as the City's last best offer on the terms as outlined in the proposed contract as **Option 2.**

- END PUBLIC HEARING -

**ORDINANCES - 1<sup>ST</sup> READING & RELATED RESOLUTIONS (as required)**

NONE

**ORDINANCES - 3<sup>RD</sup> READING & RELATED RESOLUTIONS (as required)**

- 30) 08-159 Change of Zone 3134D - Application of Caseyco, Inc. to amend the Willow Springs Planned Unit Development to expand the boundary by approximately .41 acres and to allow approximately 3,500 square feet of additional office floor area, on property generally located at Pioneers Boulevard and Lucile Drive.

**RESOLUTION - FOR COUNCIL ACTION ONLY**

- 31) 08R-291 Approving a Safety Improvement Project Agreement between the City and the Nebraska Department of Roads so that federal and state funding may be used for the engineering and construction of a roundabout at the intersection of North 14th Street and Cornhusker Highway. (11/17/08 - P.H. & Action con't. to 12/1/08) (12/1/08 - ACTION DELAYED FOR 1 WEEK TO 12/8/08)

**PENDING LIST - DATE CERTAIN**

- 32) 08R-302 Adopting the Lincoln Electric System Annual Budget for 2009, to become effective January 1, 2009. **(Action Date: 12/15/08)**

**PENDING LIST**

- 33) 05-188 Change of Zone 3413 - Application of Landon's Neighborhood Assoc. for a change of zone from R-4 Residential to R-2 Residential on property generally located at N. 24th and Superior Streets. **(12/19/05 - Placed on Pending Indefinitely)**
- 34) 07-73 Amending Title 20 of the Lincoln Municipal Code, the Building Code, by adding a new Chapter 20.02, entitled Neglected Building Registration, to require registration of neglected, deteriorated and/or abandoned buildings, to require the filing of plans for restoration or demolition of abandoned buildings, and to establish penalties for violations thereof. **(5/7/07 - Placed on Pending, No Date Certain)**
- 35) 07-58 Change of Zone 07010 - Application of Steve M. Champoux for a change of zone from AG Agricultural District to AGR Agricultural Residential District on property generally located at 134th and A Streets. (Request of applicant to continue P.H. to 5/7/07) (4/16/07 - 2nd Reading & P.H. Con't. to 5/7/07 w/ Action 5/14/07) (Request to Delay Action w/con't. P.H. to 7/23/07) (5/14/07 - Action Delayed w/con't. P.H. to 7/23/07) (Request to Place on Pending - No Date Certain) **(7/23/07 - Placed on Pending, No Date Certain)**
- 36) 08-63 Annexation No. 08003 - Amending the Lincoln Corporate Limits Map by annexing approximately 63.13 acres of property generally located at N. 35th Street and Superior Street. **(Related Items: 08-63, 08-64) (6/9/08 - Placed on Pending, No Date Certain)**
- 37) 08-64 Change of Zone 08019 - Application of Robert and Victoria Rokeby for a change of zone from R-3 Residential District to H-3 Highway Commercial District on property generally located at N. 35th Street and Superior Street. **(Related Items: 08-63, 08-64) (6/9/08 - Placed on Pending, No Date Certain)**



- 38) 08R-193 Approving the Development and Conditional Zoning Agreement between the City and Boyce Construction, Inc. for the development of the property located at North 14th Street and Superior Street subject to restrictions on maximum density, drive access to North 14th Street, and a drive access to the north boundary of the property to be compatible with the adjacent residential neighborhood. **(Related Items: 08R-193, 08-111) (Action Date: 9/8/08) (8/25/08 - Placed on Pending Indefinitely)**
- 39) 08-111 Change of Zone 08036 - Application of Boyce Construction for a change of zone from R-2 Residential District to R-5 Residential District on approximately 29,227 sq. ft. generally located at N. 14th Street and Superior Street. **(Related Items: 08R-193, 08-111) (8/25/08 - Placed on Pending Indefinitely)**
- 40) 08-131 Change of Zone 08045 - Amending Sections 27.19.030, 27.21.030, 27.23.030, 27.24.030, 27.27.025 and 27.67.040 of the Lincoln Municipal Code to clarify that group homes must comply with all applicable state and local code requirements and to add domiciliary care facility and elderly or retirement housing as a conditional permitted use in the R-5, R-6, R-7, R-8, and O-3 zoning districts, and repealing Sections 27.19.030, 27.21.030, 27.23.030, 27.24.030, 27.27.025 and 27.67.040 as hitherto existing. **(9/29/08 - Placed on Pending Indefinitely)**
- 41) 08R-297 Approving a Cooperative Agreement between the Nebraska Department of Environmental Quality and the City of Lincoln regarding State of Nebraska Grant funding from the Stormwater Management Plan. **(12/1/08 - Placed on Pending Indefinitely)**
- 42) 08-157 Amending Section 5.38.050 of the Lincoln Municipal Code to increase permit fees for motels, hotels, rooming, lodging, and apartment houses; and repealing Section 5.38.050 of the Lincoln Municipal Code as hitherto existing. **(11/3/08 - 1<sup>st</sup> Reading suspended, to have Introduction 12/1/08 with P.H. 12/8/08) (12/1/08 - Placed on Pending Indefinitely)**

**WITH COUNCIL APPROVAL THE FOLLOWING RESOLUTIONS WILL HAVE  
PUBLIC HEARING ON MONDAY, DECEMBER 15, 2008, AT 1:30 P.M.:**

- 43) 08R-299 Approving an agreement between the City and the University of Nebraska-Lincoln to conduct stormwater monitoring to meet the requirements of the City's NPDES stormwater permit for a period of one year from January 1, 2009 through December 31, 2009.
- 44) 08R-313 Assessing the costs incurred for cutting, clearing and removing weeds against the various benefitted properties for the period of January 1 through December 31, 2008.
- 45) 08R-315 Authorizing acceptance of a donation by Noel Chadd of approximately 0.53 acres of land generally located between the western boundary of West Lincoln Park and N.W. 4th Street.
- 46) 08R-316 Accepting the report of new and pending claims against the City and approving disposition of claims set forth for the period of November 16 - 30, 2008.
- 47) 08R-317 Approving an Interlocal Agreement between the City, County and United Way for the purpose of defining the parties' participation in the funding oversight and administration of the Community Services Initiative - Lincoln (CSI) Project.
- 48) 08R-318 Approving an Agreement between the City and HBE Becker Meyer Love, LLP, for the provision of an agreed upon procedure relating to government funds for compensation in an amount not to exceed \$5,500.

**Please note: During the Open Microphone & Registered Section of the agenda, individuals are allowed a total of 5 minutes to speak whether registered or not regardless of number of topics. The Open Microphone and Registered Section is available on the 2nd & Last Monday of each month.**

**ANY PERSON DESIRING TO HAVE THEIR NAME & SUBJECT MATTER LISTED ON THE FORMAL AGENDA PERTAINING TO MATTERS NOT ON THE CURRENT AGENDA, OR NOT SCHEDULED TO APPEAR ON A FUTURE AGENDA, SHOULD NOTIFY THE CITY CLERK IN WRITING BY 10:00 A.M. ON THE WEDNESDAY (12/3/08) PRIOR TO THE NEXT FORMAL CITY COUNCIL MEETING HAVING AN OPEN MICROPHONE SESSION WHICH IS 12/8/08.**

**ANYONE WISHING TO ADDRESS THE COUNCIL ON A MATTER NOT ON THIS AGENDA, AND NOT PLANNED TO APPEAR ON A FUTURE AGENDA, MAY DO SO AT THE OPEN MICROPHONE SESSION. THERE IS ONLY ONE OPEN MICROPHONE SESSION DURING THE MONTH OF DECEMBER WHICH IS DECEMBER 8<sup>TH</sup>.**

**ADJOURNMENT**

**ANNOUNCEMENTS:**

December Council meetings:

December 1 at 1:30 p.m.

December 8 at 5:30 p.m.; December 15 at 1:30 p.m.

The first Council meeting in 2009 is scheduled for Monday, January 5 at 1:30 p.m.

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The City Council Meeting  
which is broadcast live at 1:30 p.m. every Monday and  
at 5:30 p.m. on the last Monday of each month  
will be rebroadcast on Saturdays at 1:00 p.m.,  
immediately following the Pre-Council Meeting  
on 5 City-TV, Cable Channel 5.

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The City Council Agenda and Action Sheet may be accessed on the Internet at:

[lincoln.ne.gov](http://lincoln.ne.gov)

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CHAPTER 3.55, DESIGN STANDARDS FOR RECREATIONAL FACILITIES; BY AMENDING CHAPTER 3.100, DESIGN STANDARDS FOR OUTDOOR LIGHTING, TO DELETE EXISTING PROVISIONS AND TO ADOPT GENERAL PROVISIONS IN SECTION 1, MATERIALS AND METHODS OF INSTALLATION IN SECTION 2, DEFINITIONS IN SECTION 3, CLASS I LIGHTING (GENERAL) PROVISIONS IN SECTION 4, CLASS II LIGHTING (ACCENT/DECORATIVE) PROVISIONS IN SECTION 5, CLASS III LIGHTING (STREET LIGHTING) PROVISIONS IN SECTION 6, CLASS IV LIGHTING (OUTDOOR RECREATIONAL FACILITIES) PROVISIONS IN SECTION 7, CLASS V LIGHTING (SALT CREEK TIGER BEETLE ENVIRONS) PROVISIONS IN SECTION 8, LIGHT TRESPASS AND GLARE IN SECTION 9, SUBMISSION OF PLANS AND EVIDENCE OF COMPLIANCE IN SECTION 10, INSTALLATION IN SECTION 11, PERMANENT EXEMPTIONS IN SECTION 12, AND TEMPORARY EXEMPTIONS IN SECTION 13;

CHANGE OF ZONE 08039 - AMENDING TITLE 27 OF THE LINCOLN MUNICIPAL CODE RELATING TO ZONING BY AMENDING SECTION 27.41.030 TO REQUIRE LIGHTING ASSOCIATED WITH THE STORAGE OF VEHICLES FOR SALE AND RESALE IN THE FRONT YARD TO COMPLY WITH THE DESIGN STANDARDS FOR OUTDOOR LIGHTING; AMENDING SECTION 27.43.030 TO REQUIRE LIGHTING IN THE FRONT YARD ASSOCIATED WITH AUTOMOBILE SALES AND REPAIR, BUT NOT INCLUDING VEHICLE BODY REPAIR SHOPS, TO COMPLY WITH THE DESIGN STANDARDS FOR OUTDOOR LIGHTING; AMENDING SECTION 27.63.130 TO REQUIRE OUTDOOR LIGHTING FOR RECREATIONAL FACILITIES TO COMPLY WITH THE DESIGN STANDARDS FOR OUTDOOR LIGHTING; AMENDING SECTION 27.63.170 TO DELETE A REDUNDANT PROVISION REQUIRING ANY LIGHTING FACILITY FOR PARKING LOTS PERMITTED BY SPECIAL PERMIT IN THE R-1 THROUGH R-8 DISTRICTS AND IN THE O-2 DISTRICT TO COMPLY WITH ADOPTED DESIGN STANDARDS; AMENDING SECTION 27.67.100 TO REQUIRE LIGHTING FOR PARKING LOTS TO COMPLY WITH THE DESIGN STANDARDS FOR OUTDOOR LIGHTING; AND REPEALING SECTIONS 27.41.030, 27.43.030, 27.63.130, 27.63.170 AND 27.67.100 OF THE LINCOLN MUNICIPAL CODE AS HITHERTO EXISTING - Marvin Krout, Director of Planning, came forward to state that the amendments consolidate the design standards in one place and close gaps in lighting standards taking cost into account, dealing with safety & security, preventing glare & trespass, minimizing energy & light pollution. He said clarifying definitions and updating standards will result in a reduction of public hearings created by special permits. The amendment process included the services of Olsson Associates as technical consultants and the Department developed the creation of a broad-based committee that met for lively discussions over two dozen times for an extended period. In answer to questions, Mr. Krout explained there is a split responsibility with LES reviewing street lighting and Building & Safety being responsible for private issues. He reported LES recommended and adopted into the standards a reduction of 70% of the IESNA standards to conserve energy and reduce cost to the City. He said a 70% reduction is adequate while most communities do not reduce and therefore adhere to the IESNA standard.

Coby Mach, LIBA, came forward in support of the new lighting standards but requested that the City be open to suggestions if amendments are needed in the future.

Brian Sivill, 7206 Walker Ave., President of the Prairie Astronomy Club, came forward to express appreciation for changes that allow for a darker sky.

Erik Hubl, Supervisor at Hyde Memorial Observatory, came forward in support of the amendment text and expressed appreciation for the control of light pollution and excessive loss of light directed upward.

This matter was taken under advisement.

AUTHORIZING THE EXECUTION AND DELIVERY OF THE LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY AGREEMENT AND RELATED DOCUMENTS - Lauren Wismer, Gilmore & Bell, Bond Counsel, came forward to respond to questions of accountability by stating that the Joint Public Agency Act was enacted by the Legislature to permit cooperation by public agencies to their mutual benefit and further requires that representatives of the participating public agencies have representatives on the governing body of the agency that are elected representatives. He feels elected officials are a closer connection and there is supervision and diligence by the appointing agencies.

This matter was taken under advisement.

PUBLIC HEARING RESOLUTIONS

AUTHORIZING THE EXECUTION AND DELIVERY OF THE LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY AGREEMENT AND RELATED DOCUMENTS - CLERK read the following resolution, introduced by Jon Camp, who moved its adoption:

A-84997 A RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF THE LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY AGREEMENT WHEREAS, the Joint Public Agency Act (Chapter 13, Article 25, Reissue Revised Statutes of Nebraska, as amended, the "Act") permits local government units to make the most efficient use of their taxing authority and other powers by enabling them to cooperate with other governmental units on a basis of mutual advantage and to provide services and facilities in a manner and pursuant to forms of governmental organization that will accord best with geographic, economic, population, and other factors influencing the needs and development of local communities, and

NOW THEREFORE, BE IT RESOLVED that the Council of The City of Lincoln, Nebraska (the "City"), finds and determines that there exists a need for the creation of a joint public agency (the "Agency") pursuant to the Act to facilitate acquiring, constructing, equipping, furnishing and financing correctional facilities for the benefit of residents of the City as provided in the Act. The participants in the Agency will be the City and The County of Lancaster, Nebraska (the "County").

NOW THEREFORE BE IT FURTHER RESOLVED that the form, terms and provisions of the proposed Joint Public Agency Agreement Creating the Lancaster County Correctional Facility Joint Public Agency (the "Agreement") between the City and the County are, in all respects, hereby approved, authorized, ratified and confirmed, and the Mayor and the Clerk are each separately and individually hereby authorized and directed to execute, acknowledge and deliver the Agreement, including counterparts thereof, in the name and on behalf of the City. The Agreement, as executed and delivered, shall be in substantially the form attached hereto as Exhibit A subject to such changes therein as shall be approved by the Mayor, such execution thereof to constitute conclusive evidence of the City's approval of any and all changes or revisions therein from the form of the Agreement now set forth in Exhibit A; and from and after the execution and delivery of the Agreement by the City, the officers, agents and employees of the City are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Agreement.

NOW THEREFORE BE IT FURTHER RESOLVED that (a) if any provision of this Resolution shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatsoever; (b) to the extent that the provisions of this Resolution conflict with provisions of prior resolutions, or parts thereof, the provisions of this Resolution shall control, to the extent of such conflicts; and (c) this Resolution shall be in full force and effect immediately upon its passage and approval.

Introduced by Jon Camp

Seconded by Svoboda & carried by the following vote: AYES: Camp, Cook, Emery, Eschliman, Marvin, Spatz, Svoboda; NAYS: None.

ACCEPTING A QUITCLAIM DEED FROM LANCASTER COUNTY SCHOOL DISTRICT 001 FOR A PORTION OF LOT 1, ARNOLD HEIGHTS NORTH ADDITION, AND DEDICATING THE SAME AS STREET RIGHT-OF-WAY FOR WEST STANTON STREET; AND DECLARING A PORTION OF LOT 2 AND OUTLOT D, ARNOLD HEIGHTS NORTH AS STREET RIGHT-OF-WAY FOR WEST STANTON; FOR ACCESS TO THE RELOCATED ARNOLD ELEMENTARY SCHOOL, ON PROPERTY GENERALLY LOCATED AT N.W. 48TH STREET AND WEST CUMINGS STREET - CLERK read the following resolution, introduced by Jon Camp, who moved its adoption:

APPROVING AND ADOPTING THE LOWER PLATTE SOUTH NRD MULTI-JURISDICTIONAL HAZARD MITIGATION PLAN FOR ELIGIBILITY OF FEDERAL DISASTER MITIGATION FUNDS - Ed Kouma, Public Works & Utilities Watershed Division, came forward to state the plan must be approved by City Council before it can be approved by FEMA. Funding will assist in channel improvements in Beal Slough near 14<sup>th</sup> Street to reduce potential flooding. The plan identifies existing hazards in Lincoln and 83 actions to mitigate hazards (14 are flood improvement projects) including back-up generators, warning systems, communication improvements, etc.

Paul Zillig, 7931 Stockwell, Lower Platte South NRD, was on hand for questioning.

Jared Nelson of JEO Consulting Group and Doug Ahlberg from Emergency Management were also present for questioning.

This matter was taken under advisement.

ACCEPTING THE REPORT OF NEW AND PENDING CLAIMS AGAINST THE CITY AND APPROVING DISPOSITION OF CLAIMS SET FORTH FOR THE PERIOD OF NOVEMBER 1-15, 2008 - Teri Stoppel, 1330 Lincoln Mall, came forward to request recovery cost of repairs to her door which sustained damage from rescue personnel when she had a diabetic reaction. She said her claim has since been lowered to \$138.95 as repairs were not as extensive. Council advised Ms. Stoppel of assistance programs to offset food expenses so she could pay her repair bill.

This matter was taken under advisement.

TOOK BREAK 7:36 P.M.

RECONVENED 7:48 P.M.

APPROVING THE ISSUANCE OF NOT TO EXCEED \$65,000,000 PRINCIPAL AMOUNT OF LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY BUILDING BONDS - Lauren Wismer, Gilmore & Bell Bond Counsel, came forward to answer questions about the issuance of the bonds.

Scott Keene, Ameritas Investment Corp., came forward to answer questions about the financing. He expected ratings by the first week of January and the County would need funds by March or April.

This matter was taken under advisement.

AUTHORIZING THE CITY'S NEGOTIATION TEAM TO PRESENT THE LABOR CONTRACT TO IAFF LOCAL 644 FOR THE PERIOD OF AUGUST 21, 2008 THROUGH AUGUST 31, 2009 AS THE CITY'S LAST BEST OFFER ON THE TERMS AS OUTLINED IN THE PROPOSED CONTRACT AS OPTION 1;

AUTHORIZING THE CITY'S NEGOTIATION TEAM TO PRESENT THE LABOR CONTRACT TO IAFF LOCAL 644 FOR THE PERIOD OF AUGUST 21, 2008 THROUGH AUGUST 31, 2009 AS THE CITY'S LAST BEST OFFER ON THE TERMS AS OUTLINED IN THE PROPOSED CONTRACT AS OPTION 2 - Dave Engler, President of the Lincoln Firefighters Association, came forward in opposition to Option 2 due to the lack of negotiation between the two parties to work toward an end goal and settle the contract. He expressed concern about public and/or radio discussions. Mr. Engler said if he does not receive word by December 19 from the City negotiating team to go back to the negotiating table, he would suggest a move to the next level and have an independent party resolve their interests.

John V. Hendry, City Attorney, came forward to answer questions. He clarified it is inappropriate to disclose executive session discussions.

This matter was taken under advisement.

\*\* END OF PUBLIC HEARING \*\*

<u>DENIED</u>		<u>ALLOWED/RESOLVED</u>	
Jerry Roth	\$5,044.75	Amber Bradshaw	\$5,200.00
Teri Stoppel	255.00	State Farm Insurance (Claim #27-7806-470)	3,114.00
		RuthAnne Williams	487.06
		Andrea Zeiler	3,222.79
		Eliabeth Ozolins	1,041.67
		Lincoln Public Schools	512.00

The City Attorney is hereby directed to mail to the various claimants listed herein a copy of this resolution which shows the final disposition of their claim.

Introduced by Jon Camp

Seconded by Svoboda & carried by the following vote: AYES: Camp, Cook, Emery, Eschliman, Marvin, Spatz, Svoboda; NAYS: None.

APPROVING THE ISSUANCE OF NOT TO EXCEED \$65,000,000 PRINCIPAL AMOUNT OF LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY BUILDING BONDS - CLERK read the following resolution, introduced by Jon Camp, who moved its adoption:

A-85166 A RESOLUTION OF THE CITY OF LINCOLN, NEBRASKA APPROVING THE ISSUANCE OF NOT TO EXCEED \$65,000,000 PRINCIPAL AMOUNT OF LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY BUILDING BONDS, AND RELATED MATTERS.

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF LINCOLN, NEBRASKA:

Section 1. The City Council (the "Council") of The City of Lincoln, Nebraska (the "City") hereby finds and determines as follows:

(a) Pursuant to 08R-207, the Council has heretofore authorized the execution and delivery of the Joint Public Agency Agreement Creating the Lancaster County Correctional Facility Joint Public Agency dated September 9, 2008 (the "Agreement") between the City and The County of Lancaster, Nebraska (the "County") creating the Lancaster County Correctional Facility Joint Public Agency (the "Agency") for the purpose of financing the construction, equipping and furnishing of correctional facilities (the "Project") to be operated by the County for the benefit of the City and the County.

(b) The City, the County and the Agency have determined that it is necessary, desirable, advisable and in the best interests of the City, the County and the Agency that the Agency issue not to exceed \$65,000,000 in aggregate principal amount of its Building Bonds dated the date of delivery thereof (the "Bonds"), for the purpose of (a) paying the costs of the Project, and (b) paying the costs of issuing the Bonds.

(c) Article VI of the Agreement provides that the Agency shall not issue any bonds or other form of indebtedness without the question of such bonds or indebtedness being first presented to, and approved by, the Mayor and Council of the City and the Board of Commissioners of the County.

Section 2. The issuance of the Bonds in an aggregate principal amount not to exceed \$65,000,000 having the principal maturities, interest rates and redemption provisions determined by the Chair of the Agency in accordance with the terms and conditions specified in the resolution of the Agency authorizing the issuance of the Bonds as specified in the Notice of Intention to Issue Bonds attached hereto as Exhibit A is hereby ratified, confirmed and approved.

Section 3. This resolution shall take effect and be in force from and after its passage and publication according to law.

Introduced by Jon Camp

Seconded by Svoboda & carried by the following vote: AYES: Camp, Cook, Emery, Eschliman, Marvin, Spatz, Svoboda; NAYS: None.

AUTHORIZING THE CITY'S NEGOTIATION TEAM TO PRESENT THE LABOR CONTRACT TO IAFF LOCAL 644 FOR THE PERIOD OF AUGUST 21, 2008 THROUGH AUGUST 31, 2009 AS THE CITY'S LAST BEST OFFER ON THE TERMS AS OUTLINED IN THE PROPOSED CONTRACT AS OPTION 1 - PRIOR to reading:

RESOLUTION NO. 84997**A RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF THE LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY AGREEMENT**

**WHEREAS**, the Joint Public Agency Act (Chapter 13, Article 25, Reissue Revised Statutes of Nebraska, as amended, the "Act") permits local government units to make the most efficient use of their taxing authority and other powers by enabling them to cooperate with other governmental units on a basis of mutual advantage and to provide services and facilities in a manner and pursuant to forms of governmental organization that will accord best with geographic, economic, population, and other factors influencing the needs and development of local communities, and

**NOW THEREFORE, BE IT RESOLVED** that the Council of The City of Lincoln, Nebraska (the "City"), finds and determines that there exists a need for the creation of a joint public agency (the "Agency") pursuant to the Act to facilitate acquiring, constructing, equipping, furnishing and financing correctional facilities for the benefit of residents of the City as provided in the Act. The participants in the Agency will be the City and The County of Lancaster, Nebraska (the "County").

**NOW THEREFORE BE IT FURTHER RESOLVED** that the form, terms and provisions of the proposed Joint Public Agency Agreement Creating the Lancaster County Correctional Facility Joint Public Agency (the "Agreement") between the City and the County are, in all respects, hereby approved, authorized, ratified and confirmed, and the Mayor and the Clerk are each separately and individually hereby authorized and directed to execute, acknowledge and deliver the Agreement, including counterparts thereof, in the name and on behalf of the City. The Agreement, as executed and delivered, shall be in substantially the form attached hereto as **Exhibit A** subject to such changes therein as shall be approved by the Mayor, such execution thereof to constitute conclusive evidence of the City's approval of any and all changes or revisions therein from the form of the Agreement now set forth in **Exhibit A**; and from and after the execution and delivery of the Agreement by the City, the officers, agents and employees of the City are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Agreement.

**NOW THEREFORE BE IT FURTHER RESOLVED** that (a) if any provision of this Resolution shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatsoever; (b) to the extent that the provisions of this Resolution conflict with provisions of prior resolutions, or parts thereof, the provisions of this Resolution shall control, to the extent of such conflicts; and (c) this Resolution shall be in full force and effect immediately upon its passage and approval.

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



INTRODUCED BY:

Jon A. Camp

PASSED SEP 08, 2008.

ABSENT OR NOT VOTING:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

AYES: \_\_\_\_\_

AYES: Camp, Cook, Emery,  
Eschliman, Marvin, Spatz,  
Svoboda; NAYS: None.

NAYS: \_\_\_\_\_

Approved as to Form:

John V. Hendry  
City Attorney

Lauren W. Wiseman  
Bond Counsel

CONFLICT OF INTEREST:

\_\_\_\_\_

APPROVED: \_\_\_\_\_, 2008.

[Signature]  
Mayor

ADOPTED  
SEP 08 2008  
BY CITY COUNCIL

EXHIBIT "A"

JOINT PUBLIC AGENCY AGREEMENT  
CREATING THE  
LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY

This JOINT PUBLIC AGENCY AGREEMENT (the "Agreement"), dated September \_\_, 2008, is between THE CITY OF LINCOLN, NEBRASKA (the "City"), and THE COUNTY OF LANCASTER, NEBRASKA (the "County").

RECITALS

1. The County is a duly created and existing political subdivision of the State of Nebraska (the "State") pursuant to Section 22-155, Reissue Revised Statutes of Nebraska, as amended.

2. The City is duly organized and validly existing as a city of the primary class and political subdivision of the State pursuant to Chapter 15, Reissue Revised Statutes of Nebraska, as amended, and its home rule charter (the "Charter").

3. The City and the County have entered into a Correctional Facilities Interlocal Agreement pursuant to which the County has undertaken the responsibility for all adult intake and correctional facilities (the "Correction Facilities") and assumed the safekeeping, care, and sustenance of all City offenders held in the Correctional Facilities.

4. The County has determined that it is necessary, desirable, advisable and in the best interest of the County and its residents (including the City) to construct, equip and furnish new correctional facilities (the "Project") to comply with correctional facilities standards of the State.

5. The County and the City (collectively, the "Participants") desire to make the most efficient use of their taxing authority and other powers 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 both the County and the City.

6. The Participants have determined that to achieve the objectives set forth above, it is necessary, desirable, advisable and in the best interest of the Participants that a joint public agency be formed by the Participants pursuant to the Joint Public Agency Act (Chapter 13, Article 25, Reissue Revised Statutes of Nebraska, as amended, the "Act").

7. The Participants have passed resolutions after published notice as required by the Act determining that it is necessary, desirable, advisable and in the best interest of the Participants that they form a joint public agency pursuant to the Act to finance the Project through bonds issued by such agency.

NOW THEREFORE, in consideration of the premises and covenants contained herein, the Participants agree as follows:

## ARTICLE I

### CREATION OF THE JOINT PUBLIC AGENCY

Pursuant to the Act, the Participants hereby create a joint public agency which shall be named the Lancaster County Correctional Facilities Joint Public Agency (the "Agency") and which shall constitute a separate political subdivision and a public body corporate and politic of the State of Nebraska as provided by the Act. The Agency shall be subject to control by the Participants in accordance with the terms hereof. The governing body of each Participant has passed a resolution after published notice of the same as required by the JPA Act determining that a need for the Agency exists. A certified copy of each approving resolution shall be kept on file by the Agency at the County Clerk's office located at 555 South 10<sup>th</sup> Street, Lincoln, Nebraska, 68508. The governing body of the Agency (the "Board") shall submit the statement required by Section 13-2510, Reissue Revised Statutes of Nebraska, as amended, to the Secretary of State. The Agency's existence shall commence upon the issuance of a certificate of creation by the Secretary of State as provided in Section 13-2511, Reissue Revised Statutes of Nebraska, as amended.

## ARTICLE II

### PURPOSES

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 for the construction, equipping, furnishing and financing of the Project and any other capital improvements or other projects pertaining to the Correctional Facilities 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.

(c) To enter into a site lease with the County to provide a site for the Project, construct, equip and furnish the Project, to issue bonds to finance the same, and to levy a tax as provided by the Act and this 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 Project for so long as any Agency Bonds (hereinafter defined) are outstanding, and to convey the Project to the County at such time as no Agency Bonds are outstanding.

## ARTICLE III

### ORGANIZATION

**Section 301. Governing Body.** The Board of the Agency shall consist of the following representatives:

1. Mayor of the City
2. Chair of the Board of Commissioners of the County
3. Chair of the Council of the City

4. Vice Chair of the Board of Commissioners

**Section 302. Term of Office.** Unless otherwise disqualified by the provisions of the Act, and except as provided herein or any amendment hereto, each representative shall serve for so long as such representative holds the position set forth in Section 301.

**Section 303. 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 herein, 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.

**Section 304. Rules of Governance.** 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 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.

**Section 305. Meetings and Notice.** Meetings of the Board may be called by the chair or any two representatives. Written notice of the meeting and agenda shall be provided to each representative, the City Clerk, and the County Clerk at least seven days prior to each such meeting.

The Board shall also give public notice of the meeting pursuant to Section 84-1411, Reissue Revised Statutes of Nebraska, as amended. Public notice shall be given by posting a notice of the meeting on the official bulletin board of the County in the County-City Building, 555 South 10<sup>th</sup> Street, Lincoln, Nebraska, under the heading of "PUBLIC NOTICE OF MEETING," maintaining an agenda in the office of the County Clerk which shall be available for inspection by the public. All meetings shall be conducted in accordance with the Open Meetings Act (Chapter 84, Article 14, Reissue Revised Statutes of Nebraska, as amended).

**Section 306. Treasurer's Bond.** In the event that there is no treasurer's bond that expressly insures the Agency against loss resulting from the fraudulent, illegal, negligent, or otherwise wrongful or unauthorized acts or conduct by or on the part of any person authorized to sign checks, drafts, warrants, or other instruments in writing, there shall be procured and filed with the secretary of the Agency, together with the written authorization filed with the secretary, a surety bond, effective for protection against the loss, in such form and penal amount and with such corporate surety as shall be approved in writing by the signed endorsement thereon of any two officers of the Agency other than the treasurer.

## ARTICLE IV

### 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 Article XIII hereof.

## ARTICLE V

### 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, liabilities, 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 indentures, 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 Lancaster County 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 herein. Such levy authority may be exercised by the Agency only to the extent the assigning Participant restricts the exercise of its own levy authority to the same degree and the levy authority allocated to the Agency is reported to the Property Tax Administrator; and

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

## ARTICLE VI

### ISSUANCE OF BONDS

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

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

Notwithstanding any other terms hereof to the contrary, the Agency shall not issue any bonds or other form of indebtedness without the question of such bonds or indebtedness being first presented to, and approved by, the Mayor and Council of the City and the Board of Commissioners of the County.

## ARTICLE VII

### LEVY AUTHORITY

Pursuant to the provisions of Section 13-2507:

(a) the County hereby irrevocably allocates and assigns to the Agency, for the period beginning September 15, 2008 and ending on the date upon which all of the Agency Bonds (hereinafter defined) 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 County, beginning in the year 2008 for collection in 2009, for the purpose of paying the costs of constructing, equipping and furnishing the Correctional Facilities pursuant to Section 23-120(2), Reissue Revised Statutes of Nebraska, as amended, an amount equal to \$2,000,000 (the "County Levy") to be levied solely for the purpose of paying the principal or redemption price of and interest on such bonds of the Agency as may be issued for the purpose of acquiring land for, and constructing, equipping and furnishing Correctional Facilities (the "Agency Bonds").

(b) the City hereby irrevocably allocates and assigns to the Agency, for the period beginning September 15, 2008 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, not to exceed \$3,500,000 annually, beginning in the year 2008 for collection in 2009, for the purpose of paying the costs of Correctional Facilities pursuant to Section 15-202, Reissue Revised Statutes of Nebraska, as amended, in an amount which, when added to the County Levy, 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 "City Levy"), solely for the purpose of paying the principal or redemption price of and interest on the Agency Bonds.

The County hereby covenants and agrees that it shall not, for any year so long as the Agency Bonds remain outstanding, cause a tax to be levied pursuant to Section 23-120 unless and until (a) the County Levy is sufficient to generate tax revenues sufficient to pay the principal or redemption price of and interest on the Agency Bonds as the same become due the following year based upon the then-current and applicable certified valuation of property to be taxed; (b) the Agency has certified the County Levy to the County Board; (c) there remains unused for that tax year a portion of the County Levy authority under Section 23-120, Reissue Revised Statutes of Nebraska, as amended.

The County shall implement the Agency Bond Levy as requested by the Agency as may be required to pay the principal or redemption price of and interest on the Agency Bonds as the same become due, and shall not levy less than the Agency's lawful requested or certified levy, as long as any Agency Bonds remain outstanding.

The County shall collect and disburse to the trustee named by the Agency, all taxes collected under the Agency Bond Levy.

## **ARTICLE VIII**

### **EXPENSES**

All expenses of the Agency not payable from the proceeds of the Agency Bonds, including without limitation, travel expenses, administrative costs, insurance and professional fees, shall be paid by the County.

## **ARTICLE IX**

### **BUDGETING**

The Board shall prepare a budget based on a fiscal-year coinciding with the fiscal year of the County 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 County Board 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.

## **ARTICLE X**

### **BIENNIAL REPORT**

Commencing in 2009, and each odd-numbered year thereafter, the Agency shall deliver to the Secretary of State a biennial report on a form prescribed and furnished by the Secretary of State, such fee and any other information or requirements as may be specified in Section 13-2525, Reissue Revised Statutes of Nebraska, as amended.

## **ARTICLE XI**

### **NOT FOR PROFIT**

It is expressly understood that the Agency is a public body and is to be operated not for profit, and no profit, dividend or Agency asset shall inure to the benefit of any individual.

## **ARTICLE XII**

### **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 hereto or any other agreements with the Agency. Withdrawal shall not impair or adversely affect the levy of the City Levy or the County Levy or receipt of revenues for, or the payment of, any outstanding bonds or indebtedness or the interest thereon.

## **ARTICLE XIII**

### **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 County continues to have the responsibility for the Correction Facilities and the safekeeping, care, and sustenance of all City offenders held in the Correctional Facilities, all interest in the land, capital improvements, personal property and all other assets of the Agency used in the operation of the Correctional Facilities financed by the Agency Bonds remaining in the Agency shall be transferred to the County.

## **ARTICLE XIV**

### **MANNER OF ACQUIRING AND HOLDING PROPERTY**

The Board may lease, purchase or acquire by any means, from a Participant or from any other source, such real and personal property as is required for the operation of the Agency and for carrying out the purposes hereof. The title to all such property, personal or real, 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 Project to the County at such time as no Agency Bonds remain outstanding. The Agency shall comply with the applicable bidding procedures of the County Purchasing Act (Chapter 23, Article 31, Reissue Revised Statutes of Nebraska, as amended). The County 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.

## **ARTICLE XV**

### **AMENDMENT**

This Agreement may be amended in writing, signed by all the Participants; provided, however, no amendment may be made limiting the duty of the Agency or the Participants to levy and collect taxes for the payment of any Agency Bonds. Any amendment hereto 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.

## **ARTICLE XVI**

In exercising its authority and carrying out its duties and functions the Agency 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.



**CITY OF LINCOLN, NEBRASKA**

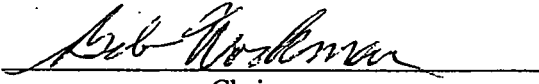
By: \_\_\_\_\_



Mayor

**THE COUNTY OF LANCASTER, NEBRASKA**

By: \_\_\_\_\_



Chair



08R-310

Introduced: December 1, 2008

THE CITY OF LINCOLN, NEBRASKA

RESOLUTION NO. ~~85166~~

A RESOLUTION OF THE CITY OF LINCOLN, NEBRASKA APPROVING THE ISSUANCE OF NOT TO EXCEED \$65,000,000 PRINCIPAL AMOUNT OF LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY BUILDING BONDS, AND RELATED MATTERS.

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF LINCOLN, NEBRASKA:

Section 1. The City Council (the "Council") of The City of Lincoln, Nebraska (the "City") hereby finds and determines as follows:

(a) Pursuant to 08R-207, the Council has heretofore authorized the execution and delivery of the Joint Public Agency Agreement Creating the Lancaster County Correctional Facility Joint Public Agency dated September 9, 2008 (the "Agreement") between the City and The County of Lancaster, Nebraska (the "County") creating the Lancaster County Correctional Facility Joint Public Agency (the "Agency") for the purpose of financing the construction, equipping and furnishing of correctional facilities (the "Project") to be operated by the County for the benefit of the City and the County.

(b) The City, the County and the Agency have determined that it is necessary, desirable, advisable and in the best interests of the City, the County and the Agency that the Agency issue not to exceed \$65,000,000 in aggregate principal amount of its Building Bonds dated the date of delivery thereof (the "Bonds"), for the purpose of (a) paying the costs of the Project, and (b) paying the costs of issuing the Bonds.

(c) Article VI of the Agreement provides that the Agency shall not issue any bonds or other form of indebtedness without the question of such bonds or indebtedness being first presented to, and approved by, the Mayor and Council of the City and the Board of Commissioners of the County.

Section 2. The issuance of the Bonds in an aggregate principal amount not to exceed \$65,000,000 having the principal maturities, interest rates and redemption provisions determined by the Chair of the Agency in accordance with the terms and conditions specified in the resolution of the Agency authorizing the issuance of the Bonds as specified in the Notice of Intention to Issue Bonds attached hereto as Exhibit A is hereby ratified, confirmed and approved.

Section 3. This resolution shall take effect and be in force from and after its passage and publication according to law.

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

INTRODUCED BY:

Jan A. Camp

PASSED December 8, 2008.

AYES: Camp, Cook, Emery, Eschliman,  
Marvin, Spatz, Svoboda.

ABSENT OR NOT VOTING:

None.  
\_\_\_\_\_  
\_\_\_\_\_

NAYS: None.  
\_\_\_\_\_

Approved as to Form:

John V. Hendry  
City Attorney  
Loren W. Wismer  
Bond Counsel

CONFLICT OF INTEREST:

None.

APPROVED: 12/10/08, 2008.

Chris Burt  
Mayor

ADOPTED  
DEC 08 2008  
BY CITY COUNCIL

**EXHIBIT "A"**

**NOTICE OF INTENTION**

**TO ISSUE BONDS**

Notice is hereby given that the Lancaster County Correctional Facility Joint Public Agency intends to issue bonds of the Agency to finance constructing, equipping and furnishing correctional facilities and related improvements for the Lancaster County Department of Corrections, Lincoln, Nebraska.

The principal amount of bonds to be issued is \$65,000,000. The maturity dates and approximate principal amounts maturing on such dates are as follows:

<b><u>Maturity (December 1)</u></b>	<b><u>Principal Amount</u></b>
2009	\$2,070,000
2010	2,375,000
2011	2,435,000
2012	2,500,000
2013	2,570,000
2014	2,650,000
2015	2,740,000
2016	2,830,000
2017	2,935,000
2018	3,045,000
2019	3,165,000
2020	3,295,000
2021	3,440,000
2022	3,590,000
2023	3,755,000
2024	3,925,000
2025	4,115,000
2026	4,310,000
2027	4,520,000
2028	4,735,000

The bonds shall bear interest at a rate not greater than 6.50%.

A copy of the proposed form of the resolution authorizing the issuance of such bonds may be examined at the office of the Clerk of The County of Lancaster, Nebraska during regular business hours for the county offices for a period of not less than 30 days from the date of this notice.

January 27, 2009

**TEMPORARY TERMINATION**

Board of Commissioners  
The County of Lancaster, Nebraska  
555 South 10<sup>th</sup> Street  
Lincoln, NE 68508

Mayor and City Council  
The City of Lincoln  
555 South 10<sup>th</sup> Street  
Lincoln, NE 68508

Lancaster County Joint Public Agency  
555 South 10<sup>th</sup> Street  
Lincoln, NE 68508

Re: \$64,390,000 Lancaster County Correctional Facility Joint Public Agency Correctional Facility Bonds, Series 2009, dated date of delivery

Ladies and Gentlemen:

For the purpose of allowing Ameritas Investment Corp., Lincoln, Nebraska to appropriately underwrite and sell the above-referenced bonds (the “**Bonds**”) to be issued by the Lancaster County Correctional Facility Joint Public Agency (the “**Agency**”), we hereby propose to temporarily terminate our existing financial advisory relationship with you (and, to the extent appropriate, with the Agency), and to act as underwriter for the Bonds. This offer is made for immediate acceptance by you, consent to such acceptance to be evidenced by your execution of the form of acceptance which appears below and is subject to the terms hereafter set forth:

**Description of Bonds.** The Bonds shall be in the aggregate principal amount of \$64,390,000, in denominations of \$5,000 or integral multiples thereof, with interest rates and principal amounts maturing as shown on **Attachment A** hereto, be in book-entry form, and shall be subject to redemption prior to maturity as set forth in the Official Statement with respect to the Bonds.

**Payment of Expenses.** The undersigned will pay costs of printing the Official Statement and any out-of-pocket costs of the undersigned. The Agency will pay all other expenses and costs in connection with the authorization, preparation, issuance, delivery and sale of the Bonds (including, without

The County of Lancaster, Nebraska  
City of Lincoln  
Lancaster County Joint Public Agency

Page 2  
January 27, 2009

limitation, the fees and disbursements of Gilmore & Bell, P.C., as Bond Counsel, rating agency fees, Registrar and Paying Agent's fees and accountants' fees).

**Closing and Delivery.** The fully executed Bonds shall be furnished to the undersigned on or about February 12, 2009 unless we shall mutually agree upon a later closing date, against payment by us of the purchase price of \$65,019,858.30 (par amount thereof plus net original issue premium equal to \$1,112,783.30 and less an underwriting discount of \$482,925.00).

**Conditions.** At the time of closing, the Bonds shall be accompanied by the unqualified approving legal opinion of Gilmore & Bell, P.C., as Bond Counsel and, in addition, by such other closing certificates as Bond Counsel may require. The undersigned shall have the right to cancel its obligation hereunder at any time prior to closing if, due to unforeseen circumstances, the provisions of the Ordinance under which the Bonds are authorized cannot be satisfied and the Bonds cannot be legally issued.

**Temporary Termination of Financial Advisory Relationship.** Upon your acceptance hereof, the undersigned's rights, obligations and duties as financial advisor to you (and, to the extent appropriate, to the Agency) in connection with the Bonds which are the subject matter hereof shall temporarily terminate. By your acceptance hereof you expressly acknowledge that such termination effects a change in the capacity of the undersigned from financial advisor to underwriter with respect to the Bonds and may result in a conflict of interest in that we have heretofore acted as your agent (and may be considered to have acted as the Agency's agent) in structuring the bond issue but will hereafter act as the underwriter for the Bonds. You will further expressly acknowledge that the undersigned in its capacity as purchaser of the Bonds referred to herein anticipates that it will receive income of approximately \$483,750.00 as underwriter for the Bonds. The source of such remuneration and income is expected to be paid in cash payable from the Bonds.

**In accordance with the provisions of the Financial Advisor Agreement between the County and the undersigned, and the Financial Advisor Agreement between the City and the undersigned, the undersigned has acted as Underwriter in connection with the transaction.**

Respectfully submitted,

**AMERITAS INVESTMENT CORP.**

By: 

Scott Keene, Vice President and Managing Director

Enclosure

**ACCEPTANCE**

The above and foregoing is hereby accepted, acknowledged and consented to as of the 27<sup>th</sup> day of January, 2009.

**THE COUNTY OF LANCASTER, NEBRASKA**

By:   
Chair

**CITY OF LINCOLN, NEBRASKA**

By:   
Finance Director

**LANCASTER COUNTY CORRECTIONAL  
FACILITY JOINT PUBLIC AGENCY**

By:   
Chair

ATTACHMENT A

\$64,390,000

Lancaster County Correctional Facility Joint Public Agency  
Correctional Facility Bonds, Series 2009  
dated date of delivery

<u>Maturity (December 1)</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP Number</u>
2009	\$ 2,430,000	1.00%	1.00%	100.000%	513887 AA8
2010	2,390,000	2.00	1.50	100.885	513887 AB6
2011	2,440,000	3.00	1.65	103.681	513887 AC4
2012	2,510,000	2.25	1.78	101.719	513887 AD2
2013	2,570,000	3.00	2.02	104.462	513887 AE0
2014	2,645,000	3.00	2.28	103.890	513887 AF7
2015	2,725,000	3.00	2.50	103.107	513887 AG5
2016	2,805,000	3.00	2.73	101.883	513887 AH3
2017	2,890,000	3.00	2.96	100.305	513887 AJ9
2018	2,980,000	4.00	3.19	106.768	513887 AK6
2019	3,095,000	3.50	3.44*	100.492	513887 AL4
2020	3,205,000	3.60	3.75	98.576	513887 AM2
2021	3,320,000	5.00	4.03*	107.785	513887 AN0
2022	3,485,000	5.00	4.23*	106.120	513887 AP5
2023	3,660,000	5.00	4.43*	104.486	513887 AQ3
2028**	21,240,000	5.00	5.08	99.000	513887 AR1

\*Yield to date of first optional redemption

\*\*Term Bonds

**Optional Redemption**

Bonds maturing on or prior to December 1, 2018 are not subject to redemption prior to their stated maturities. Bonds maturing on or after December 1, 2019 are subject to redemption prior to maturity at the option of the Agency in whole or in part, at any time on or after December 1, 2018 in such principal amounts and from such maturity or maturities as the Agency shall specify and by lot in integral multiples of \$5,000 within a maturity at a redemption price equal to 100% of the principal amount then being redeemed, together with accrued interest on such principal amount to the date fixed for redemption.

**Mandatory Sinking Fund Redemption**

The Bonds maturing December 1, 2028 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 1 the following principal amounts of Bonds:



Year

Principal  
Amount

2024

\$3,845,000

2025

4,035,000

2026

4,240,000

2027

4,450,000

2028\*

4,670,000

---

\*Final maturity

**CLOSING CERTIFICATE  
AMERITAS INVESTMENT CORP.**

**\$64,390,000**  
**Lancaster County Correctional Facility Joint Public Agency**  
**Correctional Facility Bonds, Series 2009**  
**Dated: date of delivery**  
**(February 12, 2009)**

The undersigned, **AMERITAS INVESTMENT CORP.**, the underwriter (the "**Underwriter**") of the above-described Bonds (the "**Bonds**"), being issued on the date of this Closing Certificate by Lancaster County Correctional Facility Joint Public Agency (the "**Agency**"), certifies and represents as follows:

1. **Receipt for Bonds.** We acknowledge receipt of the Bonds from the Agency on the date of this Certificate, consisting of fully registered Bonds numbered from R-1 consecutively upward in the denomination of \$5,000 each or integral multiples thereof, dated the date of delivery (February 12, 2009) thereof, issued under the Bond Resolution dated December 30, 2008 authorizing the issuance of the Bonds, adopted by the Agency (the "**Bond Resolution**").

2. **Public Offering.** All of the Bonds have been the subject of an initial offering to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers), at prices no higher than those shown on the cover of the Official Statement relating to the Bonds plus interest accrued on the Bonds from the dated date (the "**Offering Prices**"). On the basis of information available to us which we believe to be correct, we reasonably expect that at least 10% of the Bonds of each maturity will be sold to the public at initial offering prices no higher than such Offering Prices.

3. The yield on the Bonds as stated in **Section 3.11** of the Federal Tax Certificate dated February 12, 2009 executed by the Agency with respect to the Bonds is accurate.

4. **Book-Entry Bonds.** It has taken all actions necessary to qualify the Bonds as book-entry bonds with the Depository Trust Company ("**DTC**"), New York, New York, including the preparation of the Blanket Letter of Representations, and that it has received verbal confirmation from DTC that the Bonds have been issued in book-entry form.

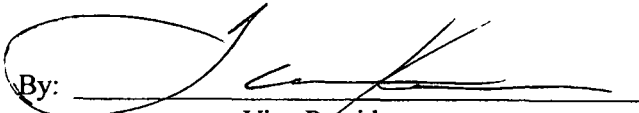
This certificate may be relied upon by the Board in executing and delivering the Tax Agreement, and by Gilmore & Bell, P.C., Bond Counsel, in rendering its opinion relating to the exclusion of the interest on the Bonds from federal gross income.

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

**IN WITNESS WHEREOF**, the undersigned, being thereunto duly authorized, has executed and delivered this Closing Certificate.

**DATED:** February 12, 2009.

**AMERITAS INVESTMENT CORP.**

By:   
Vice President

**CLOSING CERTIFICATE  
WELLS FARGO BANK, NATIONAL ASSOCIATION**

**\$64,390,000**

**Lancaster County Correctional Facility Joint Public Agency  
Correctional Facility Bonds, Series 2009**

**Dated: date of delivery  
(February 12, 2009)**

The undersigned, **WELLS FARGO BANK, NATIONAL ASSOCIATION** (the "**Paying Agent**"), as Paying Agent under the Bond Resolution dated December 30, 2008 (the "**Bond Resolution**") duly adopted by Lancaster County Correctional Facility Joint Public Agency (the "**Agency**") authorizing the issuance of the above-referenced bonds (the "**Bonds**"), does hereby certify as follows:

**1. Power and Authority of Paying Agent.** The Paying Agent is a national banking association duly organized and existing under the banking laws of the United States of America having a corporate trust administration office in Lincoln, Nebraska and having the trust powers and the corporate power and authority to enter into and perform its obligations under the Bond Resolution. Attached hereto as (a) **Exhibit A** is a copy of the authority of the Paying Agent to operate in a fiduciary capacity and (b) **Exhibit B** is a certificate of an authorized officer of the Paying Agent setting out a resolution of the board of directors of the Paying Agent, which resolution has not been amended or modified and which remains in full force and effect, relating to the authorization of officers to execute documents on behalf of the Paying Agent.

**2. Acceptance of Appointment.** It does hereby accept its appointment as Paying Agent with respect to the Bonds and agrees to fulfill all the duties and obligations imposed upon it by the Bond Resolution.

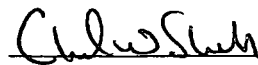
**3. Authentication of Bonds.** Pursuant to and in accordance with the provisions of **Section 206** of the Bond Resolution and the written request and authorization of the Agency, prior to the delivery of the Bonds, the Certificate of Authentication on the Bonds so delivered was signed on behalf of the Paying Agent by the following persons, who was at the time of the authentication of the Bonds and still is at the date hereof a duly elected or appointed, qualified and acting officer of the Paying Agent, and that the signatures of such officer appearing in the attached Certificate of Incumbency is a true and genuine signature of such officer.

Name

Title

Signature

Chad W. Shirk  
Vice President



**4. Delivery of Bonds.** The Paying Agent on this date, at the written request and authorization of the Agency, dated the date hereof, pursuant to **Section 206** of the Bond Resolution, delivered \$64,390,000 aggregate principal amount of the Bonds to Ameritas Investment Corp., Lincoln, Nebraska, the original purchaser thereof.

**IN WITNESS WHEREOF**, Wells Fargo Bank, National Association, as Paying Agent, has caused this certificate to be executed and its corporate seal affixed and attested by its duly authorized officers.

**DATED:** February 12, 2009

**WELLS FARGO BANK, NATIONAL  
ASSOCIATION, Paying Agent**

By: Richard F. DeBuse  
Vice President and Trust Officer



---

Comptroller of the Currency  
Administrator of National Banks

---

Washington, D.C. 20219

**Certificate of Corporate Existence and Fiduciary Powers**

I, John D. Hawke, Jr., Comptroller of the Currency, do hereby certify that:

1. The Comptroller of the Currency, pursuant to Revised Statutes 324, et seq., as amended, 12 U.S.C. 1, et seq., as amended, has possession, custody and control of all records pertaining to the chartering of all National Banking Associations.
2. "Wells Fargo Bank, National Association," San Francisco, California, (Charter No. 1741) is a National Banking Association formed under the laws of the United States and is authorized thereunder to transact the business of banking and exercise Fiduciary Powers on the date of this Certificate.

IN TESTIMONY WHEREOF, I have hereunto  
subscribed my name and caused my seal of office  
to be affixed to these presents at the Treasury  
Department in the City of Washington and  
District of Columbia, this February 4, 2004.



*John D. Hawke, Jr.*

---

*Comptroller of the Currency*

WELLS FARGO BANK, NATIONAL ASSOCIATION  
CERTIFIED EXTRACT OF BY LAWS

The undersigned hereby certifies that she is an Assistant Secretary of Wells Fargo Bank, National Association, a national banking association, (the "Bank"), and certifies that:

1. The following is a true and correct extract from by laws duly adopted by the Board of Directors of the Bank on November 25, 2003, as amended May 24, 2005, and no modification, amendment, rescission or revocation of such resolutions has occurred affecting such extract as of the date of this certificate.

**RESOLVED**, that for the purposes of these resolutions, "Executive Officer" shall mean any person specifically designated as an Executive Officer of the Bank by resolution of the Board of Directors, and "Signing Officer" shall mean the Chairman of the Board, the President, any Vice Chairman, any Executive Vice President, any Senior Vice President, the Treasurer, any Vice President, any Assistant Vice President, any person whose title includes the word "Officer" (e.g., Commercial Banking Officer, Personal Banking Officer, Trust Officer), or any other person whose title has been or is hereafter designated by the Board of Directors as a title for an officer of the Bank, and such officers are hereby authorized to sign agreements, instruments, and other documents on behalf of the Bank in accordance with the signing authorities conferred in Parts A, B and C of these resolutions;

\* \* \*

C. Signing Officers

**FURTHER RESOLVED**, that any Signing Officer, acting alone, may execute on behalf of the Bank, whether acting for its own account or in a fiduciary or other representative capacity:

\* \* \*

Trust indentures, declarations of trust, trust and agency agreements, pooling and servicing agreements, fiscal and paying agency agreements, acceptances thereof, consents thereto and any similar agreements, however denominated, to which the Bank is a party in a fiduciary or other representative capacity; certificates of authentication or other indicia of valid issuance with respect to bonds, notes, debentures and other securities or obligations issued under any indenture, mortgage, trust or other agreement; certificates for securities deposited, interim certificates and other certificates for and on behalf of the Bank as depository or agent; countersignatures of stocks, bonds, notes, debentures, voting trust certificates, participation certificates and other certificates, instruments, obligations or other securities on behalf of the Bank as trustee, fiscal and paying agent, transfer agent, registrar or in another similar capacity; and certificates of cancellation and cremation of stocks, bonds, debentures or other securities.

2. The following named persons are Signing Officers of the Bank as of the date hereof, and their correct titles and genuine signatures appear beside their names

Chad W. Shirk

Vice President

Chad W. Shirk

Richard K. DeBuse II

Vice President

Richard K. DeBuse II

IN WITNESS WHEREOF, I have hereunto set my hand this 20<sup>th</sup> day of January 2009.

WELLS FARGO BANK, National Association

By: Patricia Martirano

Patricia Martirano  
Assistant Secretary

The Depository Trust Company

A subsidiary of the Depository Trust & Clearing Corporation

BLANKET ISSUER LETTER OF REPRESENTATIONS

[To be completed by Issuer and Co-Issuer(s), if applicable]

LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY

[Name of Issuer and Co-Issuer(s), if applicable]

February 6, 2009

[Date]

Attention: Underwriting Department
The Depository Trust Company
55 Water Street, 15L
New York, NY 10041-0099

Ladies and Gentlemen:

This letter sets forth our understanding with respect to all issues (the "Securities") that Issuer shall request to be made eligible for deposit by The Depository Trust Company ("DTC").

Issuer is: [Note: Issuer shall represent one and cross out the other.]

[Incorporated in] [formed under the laws of] Nebraska

To induce DTC to accept the Securities as eligible for deposit at DTC, and to act in accordance with DTC's Rules with respect to the Securities, Issuer represents to DTC that issuer will comply with the requirements stated in DTC's Operational Arrangements, as they may be amended from time to time.

Note:

Schedule A contains statements that DTC believes accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC, and certain related matters.

Received and Accepted
THE DEPOSITORY TRUST COMPANY

By:



The Depository Trust & Clearing Corporation

Very truly yours,

LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY

[Signature]
(Authorized Officer's Signature)

JAY A. STELENS JR.
(Print Name)

555 South 10th Street
(Street Address)

Lincoln NE USA 68508
(City) (State) (Country) (Zip Code)

(402) 441-7447
(Phone Number)

(E-mail Address)



**SAMPLE OFFERING DOCUMENT LANGUAGE**  
**DESCRIBING BOOK-ENTRY-ONLY ISSUANCE**

(Prepared by DTC—bracketed material may be applicable only to certain issues)

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities 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 Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

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

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“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 Securities 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 Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

**SCHEDULE A**  
(To Blanket Issuer Letter of Representations)

5. 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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.]

[6. Redemption notices shall be sent to DTC. If less than all of the Securities 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.]

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

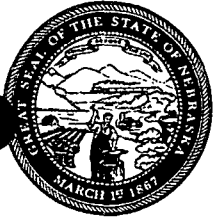
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with 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, Agent, or Issuer, 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 Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

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

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley  
State Auditor

P.O. Box 98917  
State Capitol, Suite 2303  
Lincoln, Nebraska 68509  
402-471-2111, FAX 402-471-3301  
[www.auditors.state.ne.us](http://www.auditors.state.ne.us)  
[Mike.Foley@nebraska.gov](mailto:Mike.Foley@nebraska.gov)

STATE OF NEBRASKA  
OFFICE OF THE AUDITOR OF PUBLIC ACCOUNTS

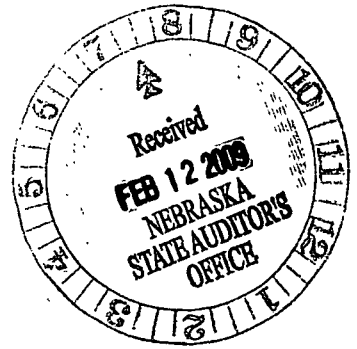
February 12, 2009

The office of the Auditor of Public Accounts of the State of Nebraska is in receipt of the bond issuance documents for Lancaster County Correctional Facility Joint Public Agency, Correctional Facility Bonds, Series 2009. These documents have been filed pursuant to the requirements of Neb. Rev. Stat. § 10-140 (Cum. Supp. 2006).

(SEAL)

Ashley DeBuhr, Bond Registrar

Book C-8, Page Number 257



**To:**  
Auditor of Public Accounts  
Capitol Building, Suite 2303  
P.O. Box 98917  
Lincoln, NE 68509

**From:**  
Gilmore & Bell, P.C.  
Wells Fargo Center  
1248 "O" Street, Suite 710  
Lincoln, NE 68508

**FILING INFORMATION**

**Name of Underwriter:**  
Ameritas Investment Corp.

**Name of Issuer:**  
Lancaster County Correctional Facility Joint Public Agency

**Title or Designation of Bonds:**

**\$64,390,000**  
**Lancaster County Correctional Facility Joint Public Agency**  
**Correctional Facility Bonds, Series 2009**  
**(the "Bonds")**

**Date of Bonds:**  
February 12, 2009

**Principal Amount of Bonds Initially Issued:**

<u>Maturity</u> <u>(December 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2009	\$2,430,000	1.00%
2010	2,390,000	2.00
2011	2,440,000	3.00
2012	2,510,000	2.25
2013	2,570,000	3.00
2014	2,645,000	3.00
2015	2,725,000	3.00
2016	2,805,000	3.00
2017	2,890,000	3.00
2018	2,980,000	4.00
2019	3,095,000	3.50
2020	3,205,000	3.60
2021	3,320,000	5.00

<b><u>Maturity (December 1)</u></b>	<b><u>Principal Amount</u></b>	<b><u>Interest Rate</u></b>
2022	3,485,000	5.00
2023	3,660,000	5.00
2028**	21,240,000	5.00

\*\*Term Bonds

**Paying Agent and Registrar where principal and interest are payable:**  
Wells Fargo Bank, National Association

**Principal purpose for which bonds were issued:**

The Bonds are being issued to provide funds (a) to pay the costs of constructing, equipping and furnishing new correctional facilities to be owned by the Lancaster County Correctional Facility Joint Public Agency and operated by The County of Lancaster, Nebraska and (b) to pay the costs of issuance of the Bonds

Attachments:

Costs of Issuance  
Form 8038-G

**Attachment 1**  
**COST OF BOND ISSUANCE**

<u>Cost Item</u>	<u>Paid From Bond Proceeds</u>	<u>Paid From Other Issuer Funds</u>
1. Underwriter's Fee (including expenses, management fee and underwriter's discount) Name of Underwriter(s): Ameritas Investment Corp.	\$482,925.00	\$ -0-
2. Bond Counsel Name: Gilmore & Bell, P.C.	\$100,000.00 (+ expenses)	\$ -0-
3. Other Counsel (e.g., underwriter's counsel, special counsel, etc.; please specify type, if any) Name and type: not applicable	\$ -0-	\$ -0-
4. Financial Advisor Fee Name: None	\$ -0-	\$ -0-
5. Rating Agency Fee Name: Standard & Poor's Moody's Investors Service	\$ 19,000.00 \$ 21,500.00	\$ -0- \$ -0-
6. Bond Insurance/Credit Enhancement Fee Name: Not Applicable	\$ -0-	\$ -0-
7. Registration Fees (e.g., MSRB, CUSIP, Blue Sky, etc.) Not applicable - included in Underwriter's fee	\$ -0-	\$ -0-
8. Trustee Fees (e.g., opening trustee fee, escrow agent fee, paying agent fee) Name: Wells Fargo Bank, National Association	\$ 700.00	\$ -0-
9. Other costs (e.g., printing, publication, cash flow fees, travel expenses, other professional fees, if any, etc.)	\$ 3,500.00	\$ -0-
Total (1 through 9)	<u>\$627,625.00</u>	<u>\$ -0-</u>

**Information Return for Tax-Exempt Governmental Obligations**

► Under Internal Revenue Code section 149(e)  
 ► See separate instructions.

OMB No. 1545-0720

Caution: If the issue price is under \$100,000, use Form 8038-GC.

<b>Part I Reporting Authority</b>			If Amended Return, check here <input type="checkbox"/>	
1 Issuer's name <b>Lancaster County Correctional Facility Joint Public Agency</b>	2 Issuer's employer identification number <b>35 : 2355660</b>			
3 Number and street (or P.O. box if mail is not delivered to street address) <b>555 South 10th Street</b>	Room/suite	4 Report number <b>3 2009-1</b>		
5 City, town, or post office, state, and ZIP code <b>Lincoln, Nebraska 68508</b>		6 Date of issue <b>February 12, 2009</b>		
7 Name of issue <b>Correctional Facility Bonds, Series 2009</b>		8 CUSIP number <b>513877 AR1</b>		
9 Name and title of officer or legal representative whom the IRS may call for more information <b>Lauren Wismer, Bond Counsel</b>		10 Telephone number of officer or legal representative <b>( 402 ) 474-5000</b>		

<b>Part II Type of Issue (check applicable box(es) and enter the issue price)</b> See instructions and attach schedule	
11 <input type="checkbox"/> Education	11
12 <input type="checkbox"/> Health and hospital	12
13 <input type="checkbox"/> Transportation	13
14 <input type="checkbox"/> Public safety	14
15 <input type="checkbox"/> Environment (including sewage bonds)	15
16 <input type="checkbox"/> Housing	16
17 <input type="checkbox"/> Utilities	17
18 <input checked="" type="checkbox"/> Other. Describe ► <b>Public Facilities</b>	18 <b>65,502,783.30</b>
19 If obligations are TANs or RANs, check box <input type="checkbox"/> If obligations are BANs, check box <input type="checkbox"/>	
20 If obligations are in the form of a lease or installment sale, check box <input type="checkbox"/>	

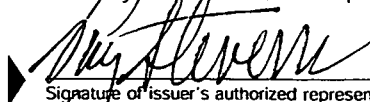
<b>Part III Description of Obligations. Complete for the entire issue for which this form is being filed.</b>				
(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21 <b>12-1-2028</b>	<b>\$ 65,502,783.30</b>	<b>\$ 64,390,000.00</b>	<b>11.462</b> years	<b>4.1826980 %</b>

<b>Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)</b>				
22 Proceeds used for accrued interest	22	<b>0.00</b>		
23 Issue price of entire issue (enter amount from line 21, column (b))	23	<b>65,502,783.30</b>		
24 Proceeds used for bond issuance costs (including underwriters' discount)	24	<b>621,925.00</b>		
25 Proceeds used for credit enhancement	25	<b>0.00</b>		
26 Proceeds allocated to reasonably required reserve or replacement fund	26	<b>0.00</b>		
27 Proceeds used to currently refund prior issues	27	<b>0.00</b>		
28 Proceeds used to advance refund prior issues	28	<b>0.00</b>		
29 Total (add lines 24 through 28)	29	<b>621,925.00</b>		
30 Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)	30	<b>64,880,858.30</b>		

<b>Part V Description of Refunded Bonds (Complete this part only for refunding bonds.)</b>	
31 Enter the remaining weighted average maturity of the bonds to be currently refunded	_____ years
32 Enter the remaining weighted average maturity of the bonds to be advance refunded	_____ years
33 Enter the last date on which the refunded bonds will be called	_____
34 Enter the date(s) the refunded bonds were issued	_____

<b>Part VI Miscellaneous</b>	
35 Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35 <b>0.00</b>
36a Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (see instructions)	36a <b>0.00</b>
b Enter the final maturity date of the guaranteed investment contract	<b>N/A</b>
37 Pooled financings: a Proceeds of this issue that are to be used to make loans to other governmental units	37a <b>0.00</b>
b If this issue is a loan made from the proceeds of another tax-exempt issue, check box <input type="checkbox"/> and enter the name of the issuer	<b>N/A</b> and the date of the issue <b>N/A</b>
38 If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box	<input type="checkbox"/>
39 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box	<input type="checkbox"/>
40 If the issuer has identified a hedge, check box	<input type="checkbox"/>

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

**Sign Here**  
  
 Signature of issuer's authorized representative  
 Date **2-10-09**  
 Type or print name and title **Ray Stevens, Treasurer**



**Moody's Investors Service**

RECEIVED

JAN 29 2009

LANCASTER COUNTY  
BOARD

100 N. Riverside Plaza  
Suite 2220  
Chicago, IL 60606

January 27, 2009

Henrietta Chang  
Vice President/Sr. Analyst  
Tel: 312.706.9960  
Fax: 312.706.9999  
E-mail: [henrietta.chang@moodys.com](mailto:henrietta.chang@moodys.com)

Mr. Dennis Meyer  
Budget Director  
County of Lancaster  
555 South 10th Street  
Room 110  
Lincoln, NE 68508

Dear Mr. Meyer:

We wish to inform you that on January 16, 2009, Moody's Investors Service reviewed and assigned a rating of **Aa1** to Lancaster (County of) NE's General Obligation Building Bonds, Series 2009 issued through Lancaster County Correctional Facility Joint Public Agency, NE.

In order for us to maintain the currency of our ratings, we request that you provide ongoing disclosure, of current financial and statistical information.

Moody's will monitor this rating and reserves the right, at its sole discretion, to revise or withdraw this rating at any time in the future.

The rating, as well as any revisions or withdrawals thereof, will be publicly disseminated by Moody's through normal print and electronic media and in response to verbal requests to Moody's Rating Desk.

Should you have any questions regarding the above, please do not hesitate to contact me or the analyst assigned to this transaction, Molly Shellhorn at 312-706-9972.

Sincerely,

Henrietta Chang

cc:  
Mr. Scott Keene  
Ameritas Investment Corporation



**STANDARD  
& POOR'S**

130 East Randolph Street  
Suite 2900  
Chicago, IL 60601  
tel 312 233-7001  
reference no.: 1038526

January 16, 2009

Lancaster County  
555 South 10th Street  
Lincoln, NE 68508  
Attention: Mr. Dennis Meyer, Lancaster County Budget Director

**Re: *US\$65,000,000 Lancaster County Correctional Facilities Joint Public Agency, Nebraska, Building Bonds, Series 2009, dated: Date of Delivery, due: December 1, 2028***

Dear Mr. Meyer:

Pursuant to your request for a Standard & Poor's rating on the above-referenced obligations, we have reviewed the information submitted to us and, subject to the enclosed *Terms and Conditions*, have assigned a rating of "AA+". Standard & Poor's views the outlook for this rating as stable. A copy of the rationale supporting the rating is enclosed.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you or by your agents but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer/obligor and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. This rating is based on financial information and documents we received prior to the issuance of this letter. Standard & Poor's assumes that the documents you have provided to us are final. If any subsequent changes were made in the final documents, you must notify us of such changes by sending us the revised final documents with the changes clearly marked.

To maintain the rating, Standard & Poor's must receive all relevant financial information as soon as such information is available. Placing us on a distribution list for this information would facilitate the process. You must promptly notify us of all material changes in the financial

Mr. Dennis Meyer  
Page 2  
January 16, 2009

CreditWatch the rating as a result of changes in, or unavailability of, such information. Standard & Poor's reserves the right to request additional information if necessary to maintain the rating.

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Standard & Poor's Ratings Services  
Public Finance Department  
55 Water Street  
New York, NY 10041-0003

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Sincerely yours,

Standard & Poor's Ratings Services  
a division of The McGraw-Hill Companies, Inc.

*Standard & Poor's /MS*

amh  
enclosures

cc: Mr. Scott Keene, Vice President & Managing Director  
Ameritas Investment Corp.

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

We agree to the inclusion, in the Preliminary Official Statement dated January 16, 2009 regarding the \$65,000,000 Lancaster County Correctional Facility Joint Public Agency Building Bonds, Series 2009, of our report, dated February 1, 2008, on our audit of the basic financial statements of the City of Lincoln, Nebraska as of and for the year ended August 31, 2007 and 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, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund, street construction fund and federal grants fund for the year then ended. We also agree to the reference to our firm under the heading "Financial Statements" in the preliminary official statement.

*BKD, LLP*

January 16, 2009

# GILMORE & BELL

A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

1248 "O" STREET, SUITE 710

LINCOLN, NEBRASKA 68508-1424

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FAX: 402-474-5550  
WWW.GILMOREBELL.COM

KANSAS CITY, MISSOURI  
ST. LOUIS, MISSOURI  
WICHITA, KANSAS

February 12, 2009

Lancaster County Correctional Facility Joint Public Agency  
Lincoln, Nebraska

Ameritas Investment Corp.  
Lincoln, Nebraska

Re: \$64,390,000 Lancaster County Correctional Facility Joint Public Agency Correctional  
Facility Bonds, Series 2009

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Ladies and Gentlemen:

We have acted as bond counsel to the Lancaster County Correctional Facility 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 dated September 9, 2008 (the "Agreement") between The County of Lancaster, Nebraska (the "County") and The City of Lincoln, Nebraska (the "City"), and (c) the Bond Resolution adopted December 30, 2008, as amended and supplemented by the Amendment to Bond Resolution adopted January 26, 2009 (collectively, the "Resolution") by the Agency. Capitalized terms used and not otherwise defined in this opinion have the meanings assigned in the Resolution

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, perform the agreements on its part contained therein, and issue the Bonds.

2. The Resolution has been duly adopted by the Agency and 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 therefore in the Resolution, including, but not limited to, the proceeds of taxes levied by the Agency pursuant to the provisions of the Act and the Agreement in an amount not to exceed \$5,500,000 annually.

4. 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; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinions set forth in this paragraph are subject to the condition that the Agency comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order to preserve the exclusion of the interest on the Bonds from gross income for federal income tax purposes. The Agency has 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)(3) of the Code.

5. The interest on the Bonds is exempt from Nebraska income taxation.

We express no opinion regarding (a) the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement), or (b) federal or state tax consequences arising with respect to the Bonds, other than as expressly set forth in this opinion.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Resolution 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,

*Gilmore & Bell, P.C.*

GARY LACEY  
LANCASTER COUNTY ATTORNEY  
575 South 10th Street  
Lincoln, Nebraska 68508-2810  
402.441.7321 / TELECOPIER 402.441.7336

Joe Kelly, Chief Deputy

February 12, 2009

Lancaster County Correctional  
Facility Joint Public Agency  
Lincoln, Nebraska

Gilmore & Bell, P.C.  
Lincoln, Nebraska

Ameritas Investment Corp.  
Lincoln, Nebraska

Re: \$64,390,000 Lancaster County Correctional Facility Joint Public Agency Correctional  
Facility Bonds, Series 2009

Ladies and Gentlemen:

I am an attorney-at-law admitted to practice in the State of Nebraska, and I am the Attorney to The County of Lancaster, Nebraska (the "County"). I am a full-time employee of the County and within the scope of my employment have acted as counsel to the County in connection with the passage of Resolution No. R-08-0075 (the "Resolution") adopted September 9, 2008 by the Board of Commissioners, which authorized the execution and delivery of the Joint Public Agency Agreement Creating the Lancaster County Correctional Facility Joint Public Agency, dated September 9, 2008 (the "Agreement") between the County and The City of Lincoln, Nebraska (the "City").

In connection with the adoption of the Resolution and the execution and delivery of the Agreement, I have examined:

- (a) A certified copy of the Resolution and an executed counterpart of the Agreement.
- (b) An executed counterpart of the Facilities Agreement dated February 5, 2009, (the "Facilities Agreement") between the County and the Lancaster County Correctional Facility Joint Public Agency (the "Agency");
- (c) An executed counterpart of the Site Lease dated February 5, 2009, (the "Site Lease") between the County and the Agency; and
- (d) Such other documents as I deem relevant and necessary in rendering this opinion.

Based on the foregoing, it is my opinion that:

1. The County is a county, duly and validly created and existing pursuant to and under the laws of the State of Nebraska, with full legal right, power, and authority to (a) adopt the Resolution, and (b) execute and deliver the Agreement, the Facilities Agreement and the Site Lease (collectively, the "County Agreements").

2. The Resolution has been duly adopted by the County, and the County Agreements have been executed and delivered by duly authorized officers of the County. The Resolution and the County Agreements are in full force and effect and constitute the legal, valid and binding obligations of the County, enforceable in accordance with their respective terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting the creditor's rights generally, and by equitable principles, whether considered at law or in equity.

3. The adoption of the Resolution and the execution and delivery of the County Agreements and compliance with the provisions thereof will not conflict with or constitute a breach of, or default under, any commitment, note, agreement, or other instrument of which I have knowledge, to which the County is a party or by which it or any of its property is bound, or any provisions of the Nebraska Constitution or Nebraska statutes or the resolutions of the County or any existing law, rule, regulation, Resolution, judgment, order, or decree to which the County is subject.

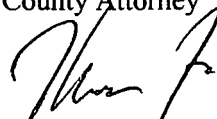
4. All approvals, consents, permits, licenses, orders of governmental authorities, boards, agencies, and commissions required for the adoption of the Resolution and the execution and delivery of the County Agreements and for the performance by the County of the transactions contemplated thereby, have been duly obtained and are in full force and effect.

5. There is no action, suit, proceeding, inquiry, or investigation at law or in equity pending (or, to my knowledge, threatened) before or by any court, public board, or body which in any way (a) questions the existence or powers of the County or the title to office of any present official of the County, (b) seeks to prohibit, restrain, or enjoin the adoption of the Resolution or the execution and delivery of the County Agreements or the performance by the County of its duties thereunder or the delegation of the County's taxing authority under Section 23-120(2), Reissue Revised Statutes of Nebraska, as amended, as provided therein, or (d) contests any authority for the adoption of the Resolution, the execution and delivery of the County Agreements or the delegation of any of its taxing authority as provided therein.

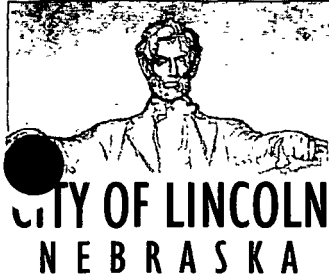
This letter is furnished by me solely for your benefit and may not be relied upon by any other persons.

Very truly yours,

GARY E. LACEY  
County Attorney



Thomas W. Fox  
Deputy County Attorney



Law Department  
John V. Hendry, City Attorney  
575 South 10th Street  
Suite 4201  
Lincoln, Nebraska 68508  
402-441-7281  
Civil fax:  
402-441-8812  
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Ernest R. (Rick) Peo III, Chief Assistant  
Richard C. Anderson, Police Legal Advisor  
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Steven J. Huggenberger Connor L. Reuter  
Margaret M. Blatchford Tonya L. Skinner  
Joe J. Rupp Miki Esposito  
John C. McQuinn II, Chief Prosecutor  
Prosecution Division  
Patrick A. Campbell Christine A. Loseke  
Rob E. Caples Marcee A. Brownlee  
Jessica Kerkhofs



MAYOR CHRIS BEUTLER

lincoln.ne.gov

February 17, 2009

Lancaster County Correctional  
Facility Joint Public Agency  
555 South 10th Street, Suite 110  
Lincoln, Nebraska 68508

Gilmore & Bell, P.C.  
Wells Fargo Center, Suite 710  
1248 "O" Street  
Lincoln, NE 68508

Ameritas Investment Corp.  
5900 "O" Street  
Lincoln, Nebraska 68510

Re: \$64,390,000 Lancaster County Correctional Facility Joint Public Agency  
Correctional Facility Bonds, Series 2009

Ladies and Gentlemen:

I am an attorney-at-law admitted to practice in the State of Nebraska, and I am the Attorney to The City of Lincoln, Nebraska (the "City"). I am a full-time employee of the City and within the scope of my employment have acted as counsel to the City in connection with the passage of Resolution No. A-84997 (the "Resolution") adopted September 8, 2008 by the Council and approved September 9, 2008 by the Mayor, which authorized the execution and delivery of the Joint Public Agency Agreement Creating the Lancaster County Correctional Facility Joint Public Agency, dated September 9, 2008 (the "Agreement") between the City and The County of Lancaster, Nebraska (the "County"). Capitalized terms not otherwise defined herein shall have the respective meanings set forth in the Resolution and the Agreement.

Based upon the foregoing, I am of the following opinion:

1. The City is a city of the primary class, duly and validly created and existing pursuant to its home rule charter and under the laws of the State of Nebraska, with full legal right, power, and authority to (a) adopt the Resolution, and (b) execute and deliver the Agreement.



2. The Resolution has been duly adopted by the City, and the Agreement has been executed and delivered by an authorized officer of the City. The Resolution and the Agreement are in full force and effect and constitute the legal, valid and binding obligations of the City, enforceable in accordance with their respective terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting the creditor's rights generally, and by equitable principles, whether considered at law or in equity.

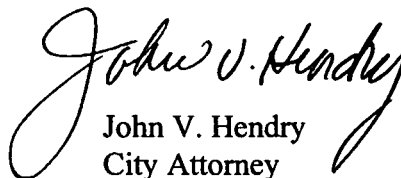
3. The adoption of the Resolution and the execution and delivery of the Agreement and compliance with the provisions thereof will not conflict with or constitute a breach of, or default under, any commitment, note, agreement, or other instrument of which I have knowledge, to which the City is a party or by which it or any of its property is bound, or any provisions of the Nebraska Constitution or Nebraska statutes or the Charter, ordinances and resolutions of the City or any existing law, rule, regulation, Resolution, judgment, order, or decree to which the City is subject.

4. All approvals, consents, permits, licenses, orders of governmental authorities, boards, agencies, and commissions required for the adoption of the Resolution and the execution and delivery of the Agreement and for the performance by the City of the transactions contemplated thereby, have been duly obtained and are in full force and effect.

5. There is no action, suit, proceeding, inquiry, or investigation at law or in equity pending (or, to my knowledge, threatened) before or by any court, public board, or body which in any way (a) questions the municipal existence or powers of the City or the title to office of any present official of the City, (b) seeks to prohibit, restrain, or enjoin the adoption of the Resolution or the execution and delivery of the Agreement or the performance by the City of its duties thereunder or the delegation of a portion of the City's taxing authority as provided therein, or (d) contests any authority for the adoption of the Resolution, the execution and delivery of the Agreement or the delegation of any of its taxing authority as provided therein.

This letter is furnished by me solely for your benefit and may not be relied upon by any other persons.

Very truly yours,

  
John V. Hendry  
City Attorney

JVH/ce