



**CITY OF OMAHA, NEBRASKA**

Basic Financial Statements

December 31, 2006

(With Independent Auditors' Report Thereon)



# CITY OF OMAHA, NEBRASKA



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## **Independent Auditors' Report**

The Honorable Mayor and Members  
of the City Council  
City of Omaha, Nebraska:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Omaha, Nebraska (the City) as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Metropolitan Entertainment and Convention Authority (MECA), which represents 100% of the total assets and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for MECA, is based on the report of the other auditors.

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. The financial statements of MECA were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes 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, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Omaha, Nebraska as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 11, 2007 on our consideration of the City'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.

Management's discussion and analysis on pages 3 through 14, the Budgetary Comparison Information on pages 71 through 73, and the Schedules of Funding Progress on pages 74 and 75 are not a required part of the basic financial statements, but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

Omaha, Nebraska  
September 11, 2007

**CITY OF OMAHA, NEBRASKA**  
Management's Discussion and Analysis  
Year ended December 31, 2006  
(Unaudited)



The discussion and analysis of the City of Omaha's (the City's) financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2006. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the City's financial performance.

**Financial Highlights for Fiscal Year 2006**

- The assets of the City, on a government-wide basis excluding component units, exceeded its liabilities at the close of fiscal year 2006 by \$579.0 million (net assets). Of this amount, \$70.6 million (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 \$2.8 million from the prior year. Of this amount, \$4.6 million was an increase in governmental activities and \$1.8 million was a decrease in business-type activities. The decrease in net assets related to business-type activities is primarily attributable to the loss of the Convention Center Hotel in the amount of \$4.5 million.
- As of December 31, 2006, the City's governmental funds reported combined ending fund balances of \$99.9 million, a decrease of \$19.2 million in comparison with the prior year. Both major and non-major debt service funds reduced their fund balances by \$8.1 million during the year, and the construction of capital assets accounts for the remainder of this reduction. Of this fund balance, approximately 30%, or \$29.8 million, is unreserved.
- The General Fund, on a current fiscal resources basis, reported an excess of revenues and other financing sources over expenditures and other financing uses of \$2.7 million. Expenditures under budget and lapsed encumbrances in the amount of \$6.1 million were offset by revenues under budget and year-end transfers in the amount of \$3.4 million.
- At the end of the current fiscal year, the unreserved fund balance for the general fund was \$28.4 million, or 12% of general fund expenditures.
- In 2006, the City issued \$53.2 million of Sanitary Sewerage System Revenue Bonds. The proceeds of the bonds will be used to finance the planning and the initial construction costs for the City's multiyear combined sewer overflow program (the Program). The total cost of the Program, which the City anticipates will extend over approximately 20 years, is unknown, but is expected to be between \$500 million and \$3 billion, based on the experience of other cities' comparable programs.
- The City maintained its AAA bond rating from the two major rating agencies.

**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 are comprised of 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 themselves.

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(Unaudited)



The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City's Government, reporting the City's operations in more detail than the government-wide statements.
  - The governmental fund statements tell how general government services like public safety were financed in the short term, as well as what amounts remain for future spending.
  - Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like a business, such as the City's sewage treatment plants or convention center hotel.
  - Fiduciary fund statements provide information about financial relationships in which the City acts solely as a trustee or agent for the benefit of others, to whom the pertaining resources belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the 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, using accounting methods similar to those used by private-sector companies. The Statement of Net Assets and the Statement of Activities, which are the government-wide statements, include the City's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. 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).

These two government-wide statements report the City's net assets and how they have changed. Net assets—the difference between the City's assets and liabilities—is one way to measure the City's financial health or financial position. Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the City's property tax base and the condition of the City's roads and other infrastructure, may need to be considered to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, the City is divided into three categories:

**Governmental Activities**—Most of the City's basic services are included here, such as the police, fire, public works, parks and recreation, and general administration departments. Taxes and intergovernmental revenues principally support these functions.

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**Business-type Activities**—The City charges fees to customers in order to cover the costs of certain services it provides. The City's sewer system, air quality control enforcement, compost operation, marina, golf courses, tennis operation, parking facilities, printing services, river plaza facility, citywide sports, and hotel are included here.

**Component Unit**—The City includes one separate legal entity in its report, the Metropolitan Entertainment and Convention Authority. Although legally separate, this "component unit" is important because the City is financially accountable for it and provides debt service funding for the Arena and Convention Center.

The government-wide financial statements can be found on pages 15 and 16 of this report.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the City's most significant funds—not the City as a whole. Funds are accounting mechanisms that the City uses to keep track of specific sources of funding and spending for particular purposes. The City Charter, State law and bond covenants require some funds. The City Council or Administration establishes other funds to control and manage money for particular purposes or to show that the City is properly using certain taxes and grants.

The City has three kinds of funds:

**Governmental Funds**—Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances remaining at year-end that are available for spending. These funds are reported using the modified accrual accounting basis and a current financial resources measurement focus. Consequently, the governmental fund statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that follows the governmental fund financial statements.

The basic governmental fund financial statements can be found on pages 18 through 19 of this report.

**Proprietary Funds**—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short and long-term financial information. The City maintains 11 enterprise funds, which are a type of proprietary fund. 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 sewer system, air quality control enforcement, compost operation, marina, golf courses, tennis operation, river plaza facility, parking facilities, printing services, city-wide sports, and hotel.

The basic proprietary fund financial statements can be found on pages 20 through 22 of this report.

**Fiduciary Funds**—The City is the trustee, or fiduciary, for certain donated funds. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

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These activities are reported in a separate Statement of Fiduciary Net Assets. The City excludes this activity from its government-wide financial statements because the City cannot use these assets to finance its operations. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements can be found on pages 23 and 24 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 25 through 69 of this report.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's 2006 budget information. Required supplementary information can be found on pages 71 through 75 of this report.

**City Government-wide Financial Analysis**

Net assets (assets over liabilities) may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$579.0 million at the close of fiscal year 2006. By far, the largest portion of the City's net assets (83%) reflects its investment in capital assets (e.g., land, building, equipment, and infrastructure), less accumulated depreciation, and less any related outstanding debt used to acquire those assets. The City uses these assets to provide services to its citizens and, consequently, these assets are not available for future spending. The resources needed to repay the debt related to these capital assets must be provided from other sources.

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The following table reflects the condensed summary of net assets (in millions):

**City of Omaha**  
**Summary of Net Assets**

	Governmental activities		Business-type activities		Total primary government	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 242	249	88	28	330	277
Capital assets	841	824	459	450	1,300	1,274
Total assets	<u>\$ 1,083</u>	<u>1,073</u>	<u>547</u>	<u>478</u>	<u>1,630</u>	<u>1,551</u>
Current and other liabilities	\$ 32	33	9	7	41	40
Long-term liabilities	739	733	271	202	1,010	935
Total liabilities	<u>771</u>	<u>766</u>	<u>280</u>	<u>209</u>	<u>1,051</u>	<u>975</u>
Net assets:						
Invested in capital assets net of related debt	237	214	244	262	481	476
Restricted net assets	15	12	12	10	27	22
Unrestricted net assets	60	81	11	(3)	71	78
Total net assets	<u>312</u>	<u>307</u>	<u>267</u>	<u>269</u>	<u>579</u>	<u>576</u>
Total liabilities and net assets	<u>\$ 1,083</u>	<u>1,073</u>	<u>547</u>	<u>478</u>	<u>1,630</u>	<u>1,551</u>

Approximately 5%, or \$27 million, of the City's net assets represents resources that are subject to external restrictions on their use. The remaining balance of unrestricted net assets, 12% or \$71 million, may be used to meet the government's ongoing obligations to citizens and creditors.

At December 31, 2006, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for the separate governmental and business-type activities.

**Governmental Activities**

Governmental activities increased the City's net assets by \$ 4.7 million as shown on the Statement of Activities, accounting for 100% of the total growth in the net assets of the City. This increase resulted in large part from contributed assets, which included contributions of infrastructure assets from developers.

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Management's Discussion and Analysis  
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(Unaudited)



**Business-type Activities**

The net assets of the City's business-type activities decreased from approximately \$268.4 million to \$266.6 million. The City generally can only use these net assets to finance the continuing operation of its enterprise operations. A key element of this decrease is the \$4.5 million loss incurred by the City's Convention Center Hotel.

The following table shows the revenue and expense of the governmental and business-type activities:

**City of Omaha's Changes in Net Assets**

(in millions)

	Governmental activities		Business-type activities		Total primary government	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$ 58.6	54.4	51.7	47.6	110.3	102.0
Operating grants and contributions	52.9	58.2	—	—	52.9	58.2
Capital grants and contributions	17.1	32.1	9.0	5.8	26.1	37.9
General revenues:						
Sales and use tax	113.6	114.2	—	—	113.6	114.2
Property tax	99.4	94.3	—	—	99.4	94.3
Other taxes	42.9	41.4	—	—	42.9	41.4
Unrestricted investment earnings	5.4	2.3	0.5	0.6	5.9	2.9
Other	—	1.8	—	—	—	1.8
Total revenues	<u>389.9</u>	<u>398.7</u>	<u>61.2</u>	<u>54.0</u>	<u>451.1</u>	<u>452.7</u>
Expenses:						
General government	40.2	43.6	—	—	40.2	43.6
Public safety	193.3	172.2	—	—	193.3	172.2
Transportation services	47.0	44.6	—	—	47.0	44.6
Other public services	14.8	14.2	—	—	14.8	14.2
Community development	19.8	27.6	—	—	19.8	27.6
Culture and parks	37.8	34.0	—	—	37.8	34.0
Interest on long-term debt	32.4	32.3	—	—	32.4	32.3
Convention Center Hotel	—	—	11.6	12.0	11.6	12.0
Sewage treatment	—	—	39.6	38.1	39.6	38.1
Other	—	—	11.7	11.8	11.7	11.8
Total expenses	<u>385.3</u>	<u>368.5</u>	<u>62.9</u>	<u>61.9</u>	<u>448.2</u>	<u>430.4</u>
Increase (decrease) in net assets before transfers	4.6	30.2	(1.7)	(7.9)	2.9	22.3
Transfers	0.1	(1.1)	(0.1)	1.1	—	—
Increase (decrease) in net assets	4.7	29.1	(1.8)	(6.8)	2.9	22.3
Net assets at beginning of year	<u>307.7</u>	<u>278.6</u>	<u>268.4</u>	<u>275.2</u>	<u>576.1</u>	<u>553.8</u>
Net assets at end of year	<u>\$ 312.4</u>	<u>307.7</u>	<u>266.6</u>	<u>268.4</u>	<u>579.0</u>	<u>576.1</u>

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 (Unaudited)



**Governmental Activities**

The City's total revenues from governmental activities were \$389.9 million for the fiscal year ended December 31, 2006. The largest source of revenue (\$113.6 million for fiscal year 2006) for the City is sales and use tax. Net sales and use tax decreased by \$0.6 million (0.5%) during 2006.

In 2006, property tax revenue increased by \$5.1 million when compared to 2005. The City has maintained the same real estate tax rate (43.387 cents per \$100 of assessed value) since 2002. Property tax valuations for 2006 increased 6.75% when compared to 2005 valuations.

The City's expenses for governmental activities cover a wide range of services, with 50%, or \$193.3 million, for fiscal year 2006 related to public safety and 10%, or \$40.2 million, for fiscal year 2006 for general government. Overall, the expenses for governmental activities increased by 4.6% or \$16.8 million in 2006, which can be largely attributed to a \$16.5 million increase in the compensated absences liability and a \$12.2 million increase in the net pension obligation.

**Business-type Activities**

Net assets of the City's business-type activities decreased by \$1.8 million as a result of the losses incurred by the following enterprise funds:

<u>Fund</u>	<u>Amount</u>
Convention Center Hotel	\$ 4,544,655
Parking Facilities	1,501,114
Tennis Revenue	103,334
Golf Operations	252,290
Air Quality Revenue	63,225

The Convention Center Hotel Fund began operations in April 2004. The City believes that future operations of the Hotel will eliminate this deficit. Annual appropriations from the City will subsidize any debt service shortfall.

The Parking Facilities Fund was established as a tool to manage the City's eight parking structures and various surface lots throughout the City. Lease purchase debt has been issued to finance the construction of the parking structures. Annual appropriations from the City's General Fund to subsidize the payment of this debt will eliminate this deficit.

The City's enterprise operations are reviewed on an ongoing basis. Revenues and expense are adjusted as necessary to maintain an adequate amount of working capital. Annual appropriations may also be used to subsidize these funds. The City has decided to account for these activities by the use of enterprise accounting to better identify the cost of the services and for better management control.

**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.

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**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 balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year, except where prohibited by the Charter. For the fiscal year ended December 31, 2006, the governmental funds reported combined ending fund balances of \$99.9 million, a decrease of \$19.2 million in comparison with the prior year. Both major and non-major debt service funds reduced their fund balances by \$8.1 million during the year and the construction of capital assets accounts for the remainder of this reduction.

Approximately 30%, or \$29.8 million of the combined fund balance, constitutes unreserved fund balance, which generally is available for spending at the City's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending, because it has already been committed to:

- Liquidate contracts and purchase orders of the prior period (\$47.0 million)
- Pay debt service (\$19.7 million)
- Provide income for the purpose of maintaining the City's coin collection and a variety of other restricted purposes (\$2.8 million).

The General Fund's unreserved fund balance at December 31, 2006, not designated for a specific purpose, is \$28.4 million. The General Fund is the City's chief operating fund. As a measure of the General Fund's liquidity, it may be useful to compare both the unreserved fund balance and the total fund balance to total fund expenditures. The unreserved fund balance represents 12% of the total fund balance to total fund expenditures, while the total fund balance represents 14% of that same amount. The total fund balance of the General Fund increased by \$0.1 million for fiscal year 2006. For budgeting purposes only, the 2005 and 2006 budget surpluses of \$2.6 million and \$2.7 million, respectively, are available for appropriation for governmental use.

**Proprietary Funds**

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

Net assets of the Convention Center Hotel Fund, Parking Facilities Fund, Sewer Revenue Fund, and other enterprise funds amounted to \$(21.0) million, \$(4.4) million, \$287.0 million, and \$4.9 million, respectively, at December 31, 2006. Additional discussion concerning the finances of these funds has already been addressed in the discussion of the City's business-type activities.

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 (Unaudited)



**General Fund Budgetary Highlights**

<b>December 31, 2006</b>			
(in millions)			
	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>
Revenues:			
Taxes	\$ 208.1	208.1	203.4
Intergovernmental	7.8	7.8	8.4
Other	28.9	28.9	30.1
Total	244.8	244.8	241.9
Expenditures, lapsed encumbrances, and transfers	248.5	248.5	243.0
Total	248.5	248.5	243.0
Changes in fund balance	\$ (3.7)	(3.7)	(1.1) *

Basically, there are three types of budget transfers, each requiring a successive level of authority. First, the Mayor may, at any time, transfer an unencumbered appropriation balance or portion thereof between appropriations of the same division. Second, transfers between divisions in the same department may be authorized by resolution of the City Council. Third, transfers between departments/agencies may be authorized by ordinance of the City Council. In 2006, no transfers took place.

Significant variances between actual General Fund revenues and expenditures and the final amended budget are summarized as follows:

- Sales Tax revenue was \$3.5 million below budget.
- Non-Business Licenses and Permits were \$0.6 million below budget.
- In Lieu of Taxes were \$0.9 above budget.
- Utility Occupation taxes were \$1.2 million below budget.
- The Mayor's Office, City Council, City Clerk, Law, Human Resources, Human Rights and Relations, Finance, Planning, Parks and Recreation, Police, Public Works and Library Departments collectively were \$2.9 million below budget.
- The Fire Department was \$1.9 million above budget due largely to sick and annual leave payments to retiring employees.
- Outside Agency, Contingency, and Other Accounts were \$1.9 million below budget.
- Retiree benefits were \$2.5 million below budget.

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**Capital Asset and Debt Administration**

**Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2006 is \$1.3 billion (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, streets, bridges, storm sewers, sanitary sewers, event facilities, and wastewater treatment plants. The total change in the City's investment in capital assets for the current year was a net increase of 2.0% (an increase of 2.1% for governmental activities and an increase of 2.0% for business-type activities).

**City of Omaha's Capital Assets**  
 (net of accumulated depreciation)

(in millions)

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 123.2	123.1	4.7	3.8	127.9	126.9
Cultural assets	5.8	5.8	0.5	0.5	6.3	6.3
Construction in progress	52.1	36.8	37.4	42.7	89.5	79.5
Buildings	329.0	332.8	367.7	351.2	696.7	684.0
Machinery and equipment	17.3	19.0	8.0	9.9	25.3	28.9
Infrastructure	273.6	266.0	—	—	273.6	266.0
Lease purchases	40.3	40.1	40.4	41.7	80.7	81.8
Total	\$ 841.3	823.6	458.7	449.8	1,300.0	1,273.4

Major capital asset events during 2006 included the following:

- Construction continued on the 144<sup>th</sup> Street – Stony Brook Boulevard to F Street Project; current year expenditures were \$2.2 million.
- Construction continued on the Gibson Road Overpass Project; current year expenditures were \$3.4 million.
- Construction continued on the City's sewer system with capital outlays of \$17.8 million.
- Construction continued on the West Dodge Street Project; current year expenditures were \$6.6 million.
- Construction continues on the City's Public Safety Training Center; current year expenditures were \$2.3 million.
- Construction continues on the City's Missouri River Pedestrian Bridge Project; current year expenditures were \$3.8 million.

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- The City provided \$1.5 million of funding for the seating expansion project on the Qwest Convention Center and Arena.
- Construction in progress citywide totaled \$89.6 million.
- Annual citywide depreciation expense for governmental activities in 2006 amounted to \$25 million.

Additional information on the City's capital assets can be found in note 10 to the financial statements on pages 61 through 65 of this report.

***Long-term Debt***

At December 31, 2006, the City of Omaha had total bonded debt outstanding of \$879.6 million (including notes payable). Of this amount, \$476.3 million is general obligation debt backed by the full faith and credit of the City; \$163.6 million of revenue bonds secured solely by specified revenue sources; \$79.7 million of special obligation bonds backed by a variety of revenue sources, including sales tax and property tax; \$38.2 million of special tax revenue bonds backed by a redevelopment property tax levy; \$84.5 million of lease purchase bonds backed by annual General Fund appropriations; and \$37.3 million of notes payable backed by a variety of revenue sources.

**City of Omaha's Outstanding Debt**

(in millions)

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
General obligation bonds	\$ 476.3	484.8	—	—	476.3	484.8
Revenue bonds	—	—	163.6	110.6	163.6	110.6
Special obligation bonds	59.3	60.0	20.4	20.9	79.7	80.9
Special tax revenue bonds	38.2	39.5	—	—	38.2	39.5
Lease purchase bonds	34.7	34.1	49.8	49.9	84.5	84.0
Notes payable	4.3	4.2	33.0	17.1	37.3	21.3
Total	\$ 612.8	622.6	266.8	198.5	879.6	821.1

During 2006, the City's total debt increased by \$58.5 million (7.1%). In 2006, the City issued \$53.2 million of Sanitary Sewerage System Revenue Bonds. The proceeds of the bonds will be used to finance the planning and the initial construction costs for the City's multiyear combined sewer overflow program. Notes payable financing of \$17.9 million was obtained from the Nebraska Department of Environmental Quality. These funds provided funding for the City's on-going sewer separation program. These transactions account for the increase.

The City maintains a AAA rating from Standard & Poor's Corporation and a Aaa rating from Moody's Investors Service on general obligation bonds. In 2005, Moody's Investors Service upgraded its rating of the City's Lease Purchase Bonds from Aa1 to Aaa.

**CITY OF OMAHA, NEBRASKA**  
Management's Discussion and Analysis  
Year ended December 31, 2006  
(Unaudited)



Under the City's Home Rule Charter, the total amount of general obligation indebtedness outstanding at any time shall not exceed 3.5% of the actual value of taxable real and personal property in the City. The debt margin as of December 31, 2005 is \$314.9 million.

Additional information on the City's long-term debt can be found in notes 6 and 7 to the financial statements on pages 39 through 53 of this report.

**Economic Factors and Next Year's Budgets and Rates**

- The increase in the City's property tax base provided by real growth that includes annexations is estimated at 6.7% for 2008. Total growth, including revaluations of current property, is estimated at 13.6%.
- Sales tax collections have increased (decreased) by 3.0% and (0.5%), respectively, over each of the past two years, with current collections through August 2007 showing an increase over the same period in 2006 of 5.3%. Effective July 2007, the sales tax base has been further reduced by the Nebraska Legislature to exclude the sales tax on commercial repair. The estimated reduction of 2008 revenue attributed to this change is \$0.5 million.
- Overall General Fund revenue growth for 2008 is projected at 4.3% due primarily to revenue generated by newly annexed areas.

All of these factors were considered in preparing the City's budget for the 2008 fiscal year.

During 2006, the unreserved fund balance in the General Fund was \$28.4 million. The City appropriated \$2.7 million of this amount for spending in the 2008 fiscal year budget. This amount represents the 2006 Budget Balance Carried Forward. The City Charter requires that the General Fund Budget Balance, as of the close of any particular fiscal year, shall be applied as General Fund revenue in the budget for the fiscal year two years subsequent to that fiscal year.

**Requests for Information**

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Omaha, Finance Department, Suite 1004, 1819 Farnam Street, Omaha, Nebraska 68183.

CITY OF OMAHA, NEBRASKA

Statement of Net Assets

December 31, 2006



Assets	Primary government			Component unit
	Governmental activities	Business-type activities	Total	MECA
Cash and pooled investments	\$ 52,869,296	11,321,451	64,190,747	3,196,460
Investments	18,316,959	47,882,666	66,199,625	12,037,047
Receivables (net of allowance for uncollectibles)	112,653,051	3,603,353	116,256,404	407,310
Internal balances	491,719	(491,719)	—	—
Due from other governments	46,771,348	33,619	46,804,967	—
Accrued interest	874,408	—	874,408	—
Inventories	583,187	737,501	1,320,688	—
Deferred charges and other assets	5,624,410	7,404,030	13,028,440	326,403
Restricted assets:				
Investments	—	3,309,677	3,309,677	—
Deposits with trustee	3,911,634	14,383,759	18,295,393	—
Capital assets:				
Nondepreciable	181,116,855	42,642,973	223,759,828	2,149,176
Depreciable	660,177,002	416,083,515	1,076,260,517	11,868,508
Total assets	\$ 1,083,389,869	546,910,825	1,630,300,694	29,984,904
<b>Liabilities and Net Assets</b>				
Liabilities:				
Accounts payable and other	\$ 22,946,720	4,339,326	27,286,046	1,898,753
Accrued interest payable	6,654,985	4,249,670	10,904,655	—
Due to other governments	1,266,128	—	1,266,128	—
Unearned revenue	692,845	—	692,845	2,876,658
Long-term liabilities:				
Net pension obligation	39,565,261	2,155,638	41,720,899	—
Other liabilities	—	—	—	1,843,578
Compensated absences:				
Due within one year	3,113,388	146,779	3,260,167	—
Due in more than one year	59,154,373	1,743,495	60,897,868	—
Grants payable:				
Due within one year	3,730,000	—	3,730,000	—
Due in more than one year	8,590,000	—	8,590,000	—
Claims and judgments:				
Due within one year	3,411,000	—	3,411,000	—
Workers' compensation and healthcare claims				
Due within one year	4,668,447	324,127	4,992,574	—
Due in more than one year	7,674,097	586,842	8,260,939	—
Bonds, notes, and leases payable				
Due within one year	29,668,384	4,860,411	34,528,795	996,885
Due in more than one year	579,888,549	261,905,915	841,794,464	9,111,974
Total liabilities	771,024,177	280,312,203	1,051,336,380	16,727,848
Net assets:				
Invested in capital assets, net of related debt	237,357,059	244,078,865	481,435,924	3,908,824
Restricted for:				
Debt service	—	12,362,000	12,362,000	—
Highway and streets	7,549,461	—	7,549,461	—
Perpetual care:				
Expendable	360	—	360	—
Nonexpendable	2,775,389	—	2,775,389	—
Community improvement and judgments	4,287,289	—	4,287,289	—
Unrestricted	60,396,134	10,157,757	70,553,891	9,348,232
Total net assets	312,365,692	266,598,622	578,964,314	13,257,056
Total liabilities and net assets	\$ 1,083,389,869	546,910,825	1,630,300,694	29,984,904

See accompanying notes to financial statements.

CITY OF OMAHA, NEBRASKA  
Statement of Activities  
Year ended December 31, 2006



	Program revenues				Net revenue (expense) and changes in net assets			Component unit
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Primary government		
						Business-type activities	Total	
<b>Functions/programs:</b>								
<b>Primary government</b>								
<b>Governmental activities:</b>								
General government	\$ 40,179,313	8,098,358	3,230,089	—	(28,850,866)	—	(28,850,866)	—
Public safety	193,303,487	8,941,612	8,436,412	933,946	(174,991,517)	—	(174,991,517)	—
Transportation services	47,021,969	15,604,717	25,139,622	1,826,263	(4,451,367)	—	(4,451,367)	—
Other public services	14,797,970	3,286,082	1,365,810	—	(10,146,078)	—	(10,146,078)	—
Community development	19,774,789	10,757,992	12,910,554	11,093,956	14,987,713	—	14,987,713	—
Culture and parks	37,818,310	11,881,082	1,813,279	3,280,136	(20,843,813)	—	(20,843,813)	—
Interest on long-term debt	32,437,752	—	—	—	(32,437,752)	—	(32,437,752)	—
<b>Total governmental activities</b>	<b>385,333,590</b>	<b>58,569,843</b>	<b>52,895,766</b>	<b>17,134,301</b>	<b>(256,733,680)</b>	<b>—</b>	<b>(256,733,680)</b>	<b>—</b>
<b>Business-type activities:</b>								
Convention Center Hotel	11,591,414	6,447,117	—	—	—	(5,144,297)	(5,144,297)	—
Parking	5,291,124	3,790,010	—	—	—	(1,501,114)	(1,501,114)	—
Sewer	39,582,646	34,892,510	—	9,011,366	—	4,321,230	4,321,230	—
Dodge Park	363,519	786,525	—	—	—	423,006	423,006	—
Tennis	374,101	270,768	—	—	—	(103,333)	(103,333)	—
Golf	3,658,155	3,406,750	—	—	—	(251,405)	(251,405)	—
Citywide Sports	136,402	153,668	—	—	—	17,266	17,266	—
River Front Plaza and Marina	25,301	31,011	—	—	—	5,710	5,710	—
Air quality	599,731	536,475	—	—	—	(63,256)	(63,256)	—
Compost	732,739	798,411	—	—	—	65,672	65,672	—
Printing and graphics	499,297	515,262	—	—	—	15,965	15,965	—
<b>Total business-type activities</b>	<b>62,854,429</b>	<b>51,628,507</b>	<b>—</b>	<b>9,011,366</b>	<b>—</b>	<b>(2,214,556)</b>	<b>(2,214,556)</b>	<b>—</b>
<b>Total primary government</b>	<b>448,188,019</b>	<b>110,198,350</b>	<b>52,895,766</b>	<b>26,145,667</b>	<b>(256,733,680)</b>	<b>(2,214,556)</b>	<b>(258,948,236)</b>	<b>—</b>
<b>Component unit:</b>								
MECA	\$ 22,647,661	23,467,353	1,500,000	—	—	—	—	2,319,692
<b>General revenues:</b>								
Property taxes					99,432,780	—	99,432,780	—
Motor vehicle taxes					8,818,011	—	8,818,011	—
Sales and use taxes					113,625,998	—	113,625,998	—
Business taxes					28,781,008	—	28,781,008	—
Payments in lieu of taxes					5,259,341	—	5,259,341	—
Donations not restricted to specific programs					—	—	—	2,129,239
Unrestricted investment earnings					5,446,225	483,227	5,929,452	615,691
Sale of capital assets					(63,554)	—	(63,554)	—
Transfers					54,000	(54,000)	—	—
<b>Total general revenues and transfers</b>					<b>261,353,809</b>	<b>429,227</b>	<b>261,783,036</b>	<b>2,744,930</b>
<b>Change in net assets</b>					<b>4,620,129</b>	<b>(1,785,329)</b>	<b>2,834,800</b>	<b>5,064,622</b>
<b>Net assets—beginning of year</b>					<b>307,745,563</b>	<b>268,383,951</b>	<b>576,129,514</b>	<b>8,192,434</b>
<b>Net assets—end of year</b>					<b>\$ 312,365,692</b>	<b>266,598,622</b>	<b>578,964,314</b>	<b>13,257,056</b>

See accompanying notes to financial statements.

CITY OF OMAHA, NEBRASKA

Balance Sheet

Governmental Funds

December 31, 2006



Assets	General	Debt Service Fund	Other governmental funds	Total governmental funds
Cash and cash equivalents	\$ —	11,672,590	41,196,706	52,869,296
Investments	12,771,500	—	5,545,459	18,316,959
Receivables, net of allowance for uncollectible:	64,353,972	40,024,337	8,274,742	112,653,051
Due from other funds	491,719	—	—	491,719
Due from other governments	23,824,287	210,198	22,736,863	46,771,348
Accrued interest	807,900	—	66,508	874,408
Inventories	583,187	—	—	583,187
Other assets	4,275	—	—	4,275
Restricted assets:				
Deposits with trustee	—	—	3,911,634	3,911,634
Total assets	<u>\$ 102,836,840</u>	<u>51,907,125</u>	<u>81,731,912</u>	<u>236,475,877</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable and other	\$ 14,583,391	13,044	7,545,982	22,142,417
Due to other funds	804,303	—	—	804,303
Due to other governments	1,266,128	—	—	1,266,128
Unearned revenue	—	—	692,845	692,845
Deferred revenue	53,274,940	40,005,761	18,415,052	111,695,753
Total liabilities	<u>69,928,762</u>	<u>40,018,805</u>	<u>26,653,879</u>	<u>136,601,446</u>
Fund balances:				
Reserved for:				
Encumbrances	3,909,163	111	43,117,826	47,027,100
Inventories	583,187	—	—	583,187
Debt service	—	11,888,209	7,789,099	19,677,308
Perpetual care	—	—	2,775,389	2,775,389
Unreserved, reported in:				
General fund	28,415,728	—	—	28,415,728
Special revenue funds	—	—	24,558,745	24,558,745
Capital projects funds	—	—	(23,163,386)	(23,163,386)
Permanent funds	—	—	360	360
Total fund balances	<u>32,908,078</u>	<u>11,888,320</u>	<u>55,078,033</u>	<u>99,874,431</u>
Total liabilities and fund balances	<u>\$ 102,836,840</u>	<u>51,907,125</u>	<u>81,731,912</u>	<u>236,475,877</u>

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	\$ 841,293,857
Revenues earned during the current period are not available as resources and, therefore, are recognized as deferred revenue in the funds	111,695,753
Bond costs of issuance are capitalized at the government-wide level and amortized over the life of the related bonds	5,620,135
Long-term liabilities, including bonds and interest payable are not due and payable in the current period and, therefore, are not reported in the funds	(746,118,484)
Net assets of governmental activities	<u>\$ 312,365,692</u>

See accompanying notes to financial statements.

**CITY OF OMAHA, NEBRASKA**

Statement of Revenues, Expenditures, and Changes in Fund Balances –  
Governmental Funds

Year ended December 31, 2006



	<u>General</u>	<u>Debt Service Fund</u>	<u>Other governmental funds</u>	<u>Total governmental funds</u>
<b>Revenues:</b>				
Taxes:				
Property	\$ 52,205,484	37,751,457	4,960,500	94,917,441
Motor vehicle	8,818,011	—	—	8,818,011
City sales and use	113,625,998	—	—	113,625,998
Business	28,781,008	—	—	28,781,008
In lieu	5,158,725	92,735	7,881	5,259,341
Licenses and permits	8,216,566	—	—	8,216,566
Intergovernmental	3,230,074	450,389	39,472,289	43,152,752
Investment income	4,476,178	114,615	855,432	5,446,225
Revenue from Keno	—	—	6,811,365	6,811,365
Charges for services	16,285,000	1,965,537	20,061,871	38,312,408
Special assessments	—	—	933,946	933,946
Rents and royalties	1,345,027	—	1,176,639	2,521,666
Contributions and grants	—	—	19,733,628	19,733,628
Total revenues	<u>242,142,071</u>	<u>40,374,733</u>	<u>94,013,551</u>	<u>376,530,355</u>
<b>Expenditures:</b>				
Current:				
General government	28,581,040	541,729	6,380,967	35,503,736
Public safety	165,197,685	—	9,390,490	174,588,175
Transportation services	1,293,809	—	37,939,070	39,232,879
Other public services	12,888,915	—	1,475,903	14,364,818
Community development	5,662,266	—	13,683,899	19,346,165
Culture and parks	21,962,013	—	6,389,392	28,351,405
Debt service:				
Principal	1,821,520	23,860,000	2,830,134	28,511,654
Interest	3,593,621	22,606,170	5,307,011	31,506,802
Bond issuance costs	—	127,720	33,306	161,026
Capital outlay	410,156	—	42,244,597	42,654,753
Total expenditures	<u>241,411,025</u>	<u>47,135,619</u>	<u>125,674,769</u>	<u>414,221,413</u>
Excess (deficiency) of revenues over expenditures	<u>731,046</u>	<u>(6,760,886)</u>	<u>(31,661,218)</u>	<u>(37,691,058)</u>
<b>Other financing sources (uses):</b>				
Transfers in	4,000	—	650,000	654,000
Transfers out	(600,000)	—	—	(600,000)
Proceeds from sale of bonds	—	—	18,521,516	18,521,516
Proceeds of refunding bonds	—	11,425,000	—	11,425,000
Proceeds from bond premium	—	—	168,836	168,836
Payment to refunded bond escrow agent	—	(11,667,801)	—	(11,667,801)
Total other financing sources (uses)	<u>(596,000)</u>	<u>(242,801)</u>	<u>19,340,352</u>	<u>18,501,551</u>
Net change in fund balances	135,046	(7,003,687)	(12,320,866)	(19,189,507)
Fund balances – beginning of year	<u>32,773,032</u>	<u>18,892,007</u>	<u>67,398,899</u>	<u>119,063,938</u>
Fund balances – end of year	\$ <u><u>32,908,078</u></u>	<u><u>11,888,320</u></u>	<u><u>55,078,033</u></u>	<u><u>99,874,431</u></u>

See accompanying notes to financial statements.

**CITY OF OMAHA, NEBRASKA**

Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances to the Government-wide  
Statement of Activities – Governmental Activities



Year ended December 31, 2006

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

Net change in fund balances – total governmental funds	\$ (19,189,507)
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 expense in the current period.	17,724,894
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	12,633,904
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.	10,331,452
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 the governmental funds.	<u>(16,880,614)</u>
Change in net assets of governmental activities	<u>\$ 4,620,129</u>

See accompanying notes to financial statements.

CITY OF OMAHA, NEBRASKA

Statement of Fund Net Assets –  
Proprietary Funds

December 31, 2006



Assets	Convention Center Hotel	Parking Facilities	Sewer revenue fund	Other enterprise funds	Total proprietary funds
<b>Current assets:</b>					
Cash and cash equivalents	\$ 55,467	—	11,265,984	—	11,321,451
Investments	—	—	47,552,666	330,000	47,882,666
Accounts receivable (net of allowance for uncollectibles)	—	113,556	3,098,962	390,835	3,603,353
Due from other governments	—	—	—	33,619	33,619
Inventories	—	—	733,734	3,767	737,501
Total current assets	<u>55,467</u>	<u>113,556</u>	<u>62,651,346</u>	<u>758,221</u>	<u>63,578,590</u>
<b>Noncurrent assets:</b>					
<b>Restricted assets:</b>					
Investments	—	—	3,309,677	—	3,309,677
Deposits with trustee	12,668,926	1,286,470	428,363	—	14,383,759
Deferred charges	6,291,840	304,555	807,635	—	7,404,030
Total noncurrent assets	<u>18,960,766</u>	<u>1,591,025</u>	<u>4,545,675</u>	<u>—</u>	<u>25,097,466</u>
<b>Capital assets:</b>					
Land	—	2,473,344	2,216,860	—	4,690,204
Buildings and systems	70,900,691	59,454,367	517,949,911	8,654,450	656,959,419
Furniture and fixtures	6,779,025	—	—	—	6,779,025
Machinery and equipment	3,490,276	—	15,134,562	3,029,579	21,654,417
Cultural assets	498,366	—	—	—	498,366
Construction in progress	—	1,246,261	35,722,218	485,924	37,454,403
	<u>81,668,358</u>	<u>63,173,972</u>	<u>571,023,551</u>	<u>12,169,953</u>	<u>728,035,834</u>
Less accumulated depreciation	<u>9,533,537</u>	<u>18,330,683</u>	<u>235,497,454</u>	<u>5,947,672</u>	<u>269,309,346</u>
Capital assets, net	<u>72,134,821</u>	<u>44,843,289</u>	<u>335,526,097</u>	<u>6,222,281</u>	<u>458,726,488</u>
Total noncurrent assets	<u>91,095,587</u>	<u>46,434,314</u>	<u>340,071,772</u>	<u>6,222,281</u>	<u>483,823,954</u>
Total assets	<u>\$ 91,151,054</u>	<u>46,547,870</u>	<u>402,723,118</u>	<u>6,980,502</u>	<u>547,402,544</u>
<b>Liabilities and Net Assets</b>					
<b>Current liabilities:</b>					
Accounts payable and other	\$ —	212,865	3,956,359	170,102	4,339,326
Current installments of long-term debt	425,000	1,950,000	2,335,411	150,000	4,860,411
Workers' compensation and healthcare claims	—	—	298,583	25,544	324,127
Accrued interest payable	2,861,539	690,572	692,984	4,575	4,249,670
Due to other funds	—	420,944	—	70,775	491,719
Compensated absences	—	1,616	119,119	26,044	146,779
Total current liabilities	<u>3,286,539</u>	<u>3,275,997</u>	<u>7,402,456</u>	<u>447,040</u>	<u>14,412,032</u>
<b>Noncurrent liabilities:</b>					
Long-term debt, excluding current installments	108,821,694	47,629,166	105,300,055	155,000	261,905,915
Pension obligation	—	—	1,471,962	683,676	2,155,638
Workers' compensation and healthcare claims	—	—	323,465	263,377	586,842
Compensated absences	—	30,714	1,217,925	494,856	1,743,495
Total noncurrent liabilities	<u>108,821,694</u>	<u>47,659,880</u>	<u>108,313,407</u>	<u>1,596,909</u>	<u>266,391,890</u>
Total liabilities	<u>112,108,233</u>	<u>50,935,877</u>	<u>115,715,863</u>	<u>2,043,949</u>	<u>280,803,922</u>
<b>Net assets:</b>					
Invested in capital assets, net of related debt	(30,820,033)	(4,431,322)	273,412,939	5,917,281	244,078,865
Restricted for debt service	9,052,323	—	3,309,677	—	12,362,000
Unrestricted	810,531	43,315	10,284,639	(980,728)	10,157,757
Total net assets	<u>(20,957,179)</u>	<u>(4,388,007)</u>	<u>287,007,255</u>	<u>4,936,553</u>	<u>266,598,622</u>
Total liabilities and net assets	<u>\$ 91,151,054</u>	<u>46,547,870</u>	<u>402,723,118</u>	<u>6,980,502</u>	<u>547,402,544</u>

See accompanying notes to financial statements.

**CITY OF OMAHA, NEBRASKA**

Statement of Revenues, Expenses, and Changes in Fund Net Assets –  
Proprietary Funds

Year ended December 31, 2006



	<b>Convention Center Hotel</b>	<b>Parking Facilities</b>	<b>Sewer Revenue Fund</b>	<b>Other enterprise funds</b>	<b>Total proprietary funds</b>
Operating revenues:					
Charges for services	6,447,117	3,790,010	34,876,357	6,498,870	51,612,354
Total operating revenues	<u>6,447,117</u>	<u>3,790,010</u>	<u>34,876,357</u>	<u>6,498,870</u>	<u>51,612,354</u>
Operating expenses:					
Personal services	—	153,994	8,297,078	3,425,390	11,876,462
Outside services	151,638	—	7,950,487	687,041	8,789,166
Operation and maintenance	1,545,804	1,923,088	5,368,539	650,930	9,488,361
Cost of sales and services	66,739	—	2,818,609	818,722	3,704,070
Administration	2,557	—	—	367,908	370,465
Depreciation and amortization	3,823,446	2,725,718	13,175,110	422,879	20,147,153
Total operating expenses	<u>5,590,184</u>	<u>4,802,800</u>	<u>37,609,823</u>	<u>6,372,870</u>	<u>54,375,677</u>
Operating income (loss)	<u>856,933</u>	<u>(1,012,790)</u>	<u>(2,733,466)</u>	<u>126,000</u>	<u>(2,763,323)</u>
Nonoperating revenues (expenses):					
Investment earnings (loss)	599,642	—	(116,415)	—	483,227
Miscellaneous rent and royalties	—	—	16,153	—	16,153
Interest expense	(6,001,230)	(488,324)	(1,972,823)	(16,375)	(8,478,752)
Total nonoperating revenues (expenses), net	<u>(5,401,588)</u>	<u>(488,324)</u>	<u>(2,073,085)</u>	<u>(16,375)</u>	<u>(7,979,372)</u>
Income (loss) before contributions and transfers	<u>(4,544,655)</u>	<u>(1,501,114)</u>	<u>(4,806,551)</u>	<u>109,625</u>	<u>(10,742,695)</u>
Capital contributions	—	—	9,011,366	—	9,011,366
Transfers in	—	—	—	—	—
Transfers out	—	—	(50,000)	(4,000)	(54,000)
Change in net assets	<u>(4,544,655)</u>	<u>(1,501,114)</u>	<u>4,154,815</u>	<u>105,625</u>	<u>(1,785,329)</u>
Net assets at beginning of year	<u>(16,412,524)</u>	<u>(2,886,893)</u>	<u>282,852,440</u>	<u>4,830,928</u>	<u>268,383,951</u>
Net assets at end of year	\$ <u>(20,957,179)</u>	\$ <u>(4,388,007)</u>	\$ <u>287,007,255</u>	\$ <u>4,936,553</u>	\$ <u>266,598,622</u>

See accompanying notes to financial statements.

CITY OF OMAHA, NEBRASKA

Statement of Cash Flows –  
Proprietary Funds

Year ended December 31, 2006



	Convention Center Hotel	Parking Facilities	Sewer Revenue Fund	Other enterprise funds	Total proprietary funds
Cash flows from operating activities:					
Receipts from customers	\$ 6,447,117	3,760,714	34,831,118	6,134,574	51,173,523
Payments to suppliers	(1,766,738)	(1,916,015)	(8,218,672)	(2,530,509)	(14,431,934)
Payments to employees	—	(154,592)	(14,833,756)	(3,318,171)	(18,306,519)
Net cash provided by operating activities	<u>4,680,379</u>	<u>1,690,107</u>	<u>11,778,690</u>	<u>285,894</u>	<u>18,435,070</u>
Cash flows from noncapital financing activities:					
Transfers in/out	—	(1,595,184)	(50,000)	(4,000)	(1,649,184)
Advances from other funds	—	420,944	—	70,775	491,719
Net cash provided by (used in) noncapital financing activities	<u>—</u>	<u>(1,174,240)</u>	<u>(50,000)</u>	<u>66,775</u>	<u>(1,157,465)</u>
Cash flows from capital and related financing activities:					
Capital expenditures	(68,993)	(336,306)	(27,895,817)	(708,100)	(29,009,216)
Capital contributions	—	—	9,011,366	—	9,011,366
Payments on long-term debt	—	(1,450,000)	(481,458)	(140,000)	(2,071,458)
Payments on notes payable	—	—	(1,994,396)	—	(1,994,396)
Issuance of long-term debt	—	1,320,564	54,890,218	—	56,210,782
Issuance of notes payable	—	—	17,908,940	—	17,908,940
Bond issuance costs	—	—	(807,635)	—	(807,635)
Interest paid	(5,033,501)	(545,696)	(2,558,781)	(18,396)	(8,156,374)
Net cash provided by (used in) capital and related financing activities	<u>(5,102,494)</u>	<u>(1,011,438)</u>	<u>48,072,437</u>	<u>(866,496)</u>	<u>41,092,009</u>
Cash flows from investing activities:					
Proceeds from sales of investment securities	—	—	—	470,000	470,000
Purchase of investment securities	(354,223)	—	(51,290,706)	—	(51,644,929)
Interest received	599,642	495,571	111,201	—	1,206,414
Net cash provided by (used in) investing activities	<u>245,419</u>	<u>495,571</u>	<u>(51,179,505)</u>	<u>470,000</u>	<u>(49,968,515)</u>
Net increase (decrease) in cash and cash equivalents	(176,696)	—	8,621,622	(43,827)	8,401,099
Cash and cash equivalents, beginning of year	232,163	—	2,644,362	43,827	2,920,352
Cash and cash equivalents, end of year	<u>\$ 55,467</u>	<u>—</u>	<u>11,265,984</u>	<u>—</u>	<u>11,321,451</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ 856,933	(1,012,790)	(2,733,466)	126,000	(2,763,323)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	3,823,446	2,725,718	13,175,110	422,879	20,147,153
Cash flows impacted by changes in:					
Amounts due from customers and others	—	(29,296)	(2,589,489)	(344,771)	(2,963,556)
Inventories	—	—	144,977	(767)	144,210
Due from other governments	—	—	2,544,250	(19,525)	2,524,725
Accounts payable and other	—	7,073	1,158,902	(5,141)	1,160,834
Claims payable	—	—	(105,263)	(89,713)	(194,976)
Pension obligation	—	—	344,470	167,755	512,225
Accrued expenses	—	(598)	(160,801)	29,177	(132,222)
Net cash provided by operating activities	<u>\$ 4,680,379</u>	<u>1,690,107</u>	<u>11,778,690</u>	<u>285,894</u>	<u>18,435,070</u>

See accompanying notes to financial statements.

CITY OF OMAHA, NEBRASKA

Statement of Cash Flows –  
Proprietary Funds

Year ended December 31, 2006



	Convention Center Hotel	Parking Facilities	Sewer Revenue Fund	Other enterprise funds	Total proprietary funds
Cash flows from operating activities:					
Receipts from customers	\$ 6,447,117	3,760,714	34,831,118	6,134,574	51,173,523
Payments to suppliers	(1,766,738)	(1,916,015)	(8,218,672)	(2,530,509)	(14,431,934)
Payments to employees	—	(154,592)	(14,833,756)	(3,318,171)	(18,306,519)
Net cash provided by operating activities	<u>4,680,379</u>	<u>1,690,107</u>	<u>11,778,690</u>	<u>285,894</u>	<u>18,435,070</u>
Cash flows from noncapital financing activities:					
Transfers in/out	—	(1,595,184)	(50,000)	(4,000)	(1,649,184)
Advances from other funds	—	420,944	—	70,775	491,719
Net cash provided by (used in) noncapital financing activities	<u>—</u>	<u>(1,174,240)</u>	<u>(50,000)</u>	<u>66,775</u>	<u>(1,157,465)</u>
Cash flows from capital and related financing activities:					
Capital expenditures	(68,993)	(336,306)	(27,895,817)	(708,100)	(29,009,216)
Capital contributions	—	—	9,011,366	—	9,011,366
Payments on long-term debt	—	(1,450,000)	(481,458)	(140,000)	(2,071,458)
Payments on notes payable	—	—	(1,994,396)	—	(1,994,396)
Issuance of long-term debt	—	1,320,564	54,890,218	—	56,210,782
Issuance of notes payable	—	—	17,908,940	—	17,908,940
Bond issuance costs	—	—	(807,635)	—	(807,635)
Interest paid	(5,318,655)	(481,974)	(2,558,781)	(18,396)	(8,377,806)
Net cash provided by (used in) capital and related financing activities	<u>(5,387,648)</u>	<u>(947,716)</u>	<u>48,072,437</u>	<u>(866,496)</u>	<u>40,870,577</u>
Cash flows from investing activities:					
Proceeds from sales of investment securities	—	—	—	470,000	470,000
Purchase of investment securities	(354,223)	—	(51,290,706)	—	(51,644,929)
Interest received	599,642	495,571	111,201	—	1,206,414
Net cash provided by (used in) investing activities	<u>245,419</u>	<u>495,571</u>	<u>(51,179,505)</u>	<u>470,000</u>	<u>(49,968,515)</u>
Net increase (decrease) in cash and cash equivalents	(461,850)	63,722	8,621,622	(43,827)	8,179,667
Cash and cash equivalents, beginning of year	232,163	—	2,644,362	43,827	2,920,352
Cash and cash equivalents, end of year	<u>\$ (229,687)</u>	<u>63,722</u>	<u>11,265,984</u>	<u>—</u>	<u>11,100,019</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ 856,933	(1,012,790)	(2,733,466)	126,000	(2,763,323)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	3,823,446	2,725,718	13,175,110	422,879	20,147,153
Cash flows impacted by changes in:					
Amounts due from customers and others	—	(29,296)	(2,589,489)	(344,771)	(2,963,556)
Inventories	—	—	144,977	(767)	144,210
Due from other governments	—	—	2,544,250	(19,525)	2,524,725
Accounts payable and other	—	7,073	1,158,902	(5,141)	1,160,834
Claims payable	—	—	(105,263)	(89,713)	(194,976)
Pension obligation	—	—	344,470	167,755	512,225
Accrued expenses	—	(598)	(160,801)	29,177	(132,222)
Net cash provided by operating activities	<u>\$ 4,680,379</u>	<u>1,690,107</u>	<u>11,778,690</u>	<u>285,894</u>	<u>18,435,070</u>

See accompanying notes to financial statements.

**CITY OF OMAHA, NEBRASKA**

Statement of Fiduciary Net Assets –  
Fiduciary Funds

December 31, 2006



	<u>Pension Trust Funds</u>	<u>Agency</u>	<u>Total</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 139,932	10,713,554	10,853,486
<b>Receivables:</b>			
Accrued interest	2,472,006	2,142	2,474,148
Other	1,532,832	24,145	1,556,977
Investments, at fair value	796,909,476	1,715,500	798,624,976
Total assets	<u>801,054,246</u>	<u>12,455,341</u>	<u>813,509,587</u>
<b>Liabilities:</b>			
Warrants payable	38,206	—	38,206
Accounts payable	1,366,648	299,771	1,666,419
Deposits payable	—	12,155,570	12,155,570
Total liabilities	<u>1,404,854</u>	<u>12,455,341</u>	<u>13,860,195</u>
Net assets held in trust for pension benefits	<u>\$ 799,649,392</u>	<u>—</u>	<u>799,649,392</u>

See accompanying notes to financial statements.

**CITY OF OMAHA, NEBRASKA**

Statement of Changes in Fiduciary Net Assets –  
Pension Trust Funds

Year ended December 31, 2006



Additions:

Contributions:

Employer	\$ 24,493,469
Employee	17,000,669
Total contributions	<u>41,494,138</u>

Investment earnings:

Dividends and interest	16,784,808
Net increase in the fair value of investments	<u>72,338,640</u>

Total investment earnings 89,123,448

Less investment expenses (4,848,197)

Net investment earnings 84,275,251

Total additions 125,769,389

Deductions:

Benefits 56,568,873

Change in net assets 69,200,516

Net assets, beginning of year 730,448,876

Net assets, end of year \$ 799,649,392

See accompanying notes to financial statements.

# CITY OF OMAHA, NEBRASKA

## Notes to Financial Statements

December 31, 2006



### (1) Summary of Significant Accounting Policies

#### (a) Reporting Entity

The City of Omaha, Nebraska (the City) was incorporated on February 2, 1857. 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. The seven council members each represent one of the City's seven districts. The Mayor and members of the council are elected through popular vote to four year terms. The City is a political subdivision of the State of Nebraska and is exempt from state and federal income taxes.

The governmental reporting entity consists of the City (the primary government) and its component units. Component units are legally separate organizations for which the City is financially accountable or other organizations whose nature and significant relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board and (i) either the City's ability to impose its will on the organization or (ii) there is potential for the organization to provide financial benefit to or impose a financial burden on the City.

The basic financial statements include both blended component units and the City's discretely presented component unit. The blended component units, although legally separate entities, are, in substance, part of the City's operations, and data from these units are basic with data of the primary government. The City's basic financial statements blend the activity of the City of Omaha Parking Facilities Corporation, the City of Omaha Impound Facilities Corporation, the City of Omaha Stadium Facilities Corporation, City of Omaha Northwest Library Facilities Corporation, the City of Omaha Facilities Corporation, City of Omaha Convention Hotel Corporation, and Omaha Douglas Public Building Commission (the Commission). The City is financially accountable for these organizations.

The discretely presented component unit, on the other hand, is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government. The City's basic financial statements discretely present the financial position and activities of the Metropolitan Entertainment and Convention Authority (MECA).

#### **MECA**

MECA is a separate nonprofit corporation and is responsible for the design, construction, and operation of the Omaha Convention Center/Arena. MECA began operations on August 25, 2000. Title to the facility and all related infrastructure assets are vested with the City. Construction activities are principally funded by private donations and general obligation bonds of the City. Board members of MECA are appointed by the City. The financial statements for MECA included herein are for the year ended June 30, 2006. MECA's separate financial statements are available at 1819 Farnam Street, Omaha, Nebraska 68183.

#### **Related Organizations**

The City's officials are responsible for appointing members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments.

# CITY OF OMAHA, NEBRASKA

## Notes to Financial Statements

December 31, 2006



The Mayor or City Council appoints board members of the Omaha Housing Authority, the Omaha Airport Authority, and the Metro Area Transit Authority. The City is not financially accountable for these organizations.

The Douglas Omaha Technology Commission (DOT.Comm) is a governmental entity formed by an interlocal agreement between the City and Douglas County (the County). The purpose of this entity is to increase the cooperative efforts of the County and the City in connection with electronic information, voice, and data communication services for governmental operations, and public services. The City appoints two members to the DOT.Comm board which has a total of seven members. The Mayor (or designee) and the City Council President (or designee) are the City representatives appointed to the Board. DOT.Comm has control over its operations and fiscal matters and holds title to its assets. DOT.Comm's revenues are primarily derived from maintenance fees from the City and County. Complete audited financials can be obtained from its office at 408 South 18th Street, Omaha, Nebraska 68102.

**(b) Basis of Presentation**

**Government-wide Financial Statements**

The statement of net assets and statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize interfund activities. These statements distinguish between the governmental and business-type activities of the City and between the City and its discretely presented component unit. 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 charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (1) charges paid by the recipients of goods or services offered by the programs and (2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements**

The fund financial statements provide information about the City's funds, including fiduciary funds. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are separately aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as investment earnings, result from nonexchange transactions or ancillary activities.

# CITY OF OMAHA, NEBRASKA

## Notes to Financial Statements

December 31, 2006



The City reports the following major governmental funds:

- The *General Fund* is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the City that are not accounted for through other funds.
- The *Debt Service Fund* is used to account for the resources for, and the payment of, general long term debt principal, interest, and related costs.

The City reports the following major proprietary funds:

- The *Convention Center Hotel Fund* is used to account for costs associated with the construction and operation of the Convention Center Hotel.
- The *Parking Facilities Fund* accounts for activity from parking revenue and related expenditures for operation, maintenance, and construction of parking garages.
- The *Sewer Revenue Fund* accounts for activity from sewer service charges, construction grants, and related expenditures for operation, maintenance, and capital improvements of the sanitary sewerage system and wastewater treatment plants.

The City reports the following additional fund types:

- The *Pension Trust Funds* accumulate contributions from the City and its employees and earnings from the funds' investments. Disbursements are made from the funds for retirement.
- The *Agency Funds* account for assets held by the City as an agent for various local governments.
- The *Permanent Funds* are used to report resources that are legally restricted to the extent that earnings, and not principal, may be used for purposes that support the City's programs for the benefit of the City or its citizenry.
- The *Special Revenue Funds* account for the proceeds from specific revenue sources that are restricted to expenditures for specified purposes.
- The *Capital Projects Funds* account for all resources received and used for the acquisition or development of major capital improvements (other than those financed by proprietary funds and trust funds).
- The *Enterprise Funds* account for operations that are financed and operated in a manner similar to private business enterprises: (a) where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis is financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

(c) ***Basis of Accounting***

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded

# CITY OF OMAHA, NEBRASKA

## Notes to Financial Statements

December 31, 2006



when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligible requirements have been met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property and sales taxes, interest, certain state and federal grants, and charges for services are accrued when their receipt occurs within 60 days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, except for debt service expenditures and other long term liabilities, which are recorded only when due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds and payments of long term debt are reported as other financing sources and uses.

Private sector standards of accounting and financial reporting issued prior to December 1, 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 guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and their enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private sector guidance.

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 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.

The discretely presented component unit, MECA, an enterprise fund, is recorded on the accrual basis of accounting.

**(d) *Encumbrances***

Encumbrance accounting is employed in the governmental funds. Under encumbrance accounting, purchase orders, contracts, and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are reported as reservations of net assets since they do not constitute liability. Encumbrances are reported as expenditures on the budget basis schedule.

**(e) *Pooled Cash and Investments***

The City maintains a pooled cash and investment account for all funds. These funds are placed in the custody of the City Treasurer. Each fund reports its undistributed interest in the principal balance of the pool. Interest earned on the City's pooled cash and investments is credited to the General Fund of

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2006



the City, except for the Don Hayes Memorial Fund, Ralph Anderson Memorial Fund, Cash Reserve Fund, Dodge Park Marina Fund, Western Heritage/Byron Reed Fund, Asarco Remediation Fund, Sewer Revenue Fund, Sewer Construction Fund and Aksarben Bond Fund, which are credited directly to the respective funds. Interest is imputed and transferred to the Keno Funds, Police Seized Assets Funds, Law Enforcement Block Grant Funds, and Western Heritage Fund.

**(f) Cash and Cash Equivalents**

For purposes of the accompanying statement of cash flows, the City enterprise funds consider all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents.

**(g) Investments**

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales prices at current exchange rates. Income from investments not included in pooled cash and investments that are held by the individual funds is recorded in the respective funds as it is earned.

**(h) Inventories**

Inventories of materials and supplies are stated at the lower of cost or market using the first in, first out method. The costs of governmental fund inventories are recorded as expenditures when purchased.

**(i) Property Taxes**

Nebraska LB 1114 imposes a tax ceiling for general revenue purposes. The tax levy certified in any year shall not exceed \$0.45 per \$100 of actual valuation. The 2006 general tax levy (\$0.24312 per \$100 of assessed valuation) was below the legal limit by \$0.20688, or \$46,063,869.

The Home Rule Charter of the City imposes a tax ceiling for general revenue purposes. The tax levy certified in any year shall not exceed \$0.6125 per \$100 of actual valuation plus whatever tax levy is necessary to provide for principal and interest payments on the indebtedness of the City for administrative expenses incurred in issuing and maintaining bonds and for satisfaction of judgments and litigation expenses in connection therewith. The 2006 general tax levy (\$0.24312 per \$100 of assessed valuation) was below the legal limit by \$0.36938, or \$82,246,093. The assessed value upon which the 2006 levy was based was \$22,265,984,445.

The tax levies for all political subdivisions in Douglas County are certified by the county board on or before October 15. Real estate taxes are due and become an enforceable lien on property on December 31. The first half of real estate taxes becomes delinquent on April 1 and the second half becomes delinquent on August 1 following the levy date. Personal property taxes are due on December 31 and become delinquent on April 1 and August 1 following the levy date. Delinquent taxes bear 14% interest.

Motor vehicle taxes are due when an application is made for registration of a motor vehicle.

CITY OF OMAHA, NEBRASKA

Notes to Financial Statements

December 31, 2006



(j) *Deferred Charges*

For government-wide financial statements and proprietary fund financial statements, charges resulting from the issuance of revenue and general obligation bonds are deferred and amortized over the remaining life of the bonds on a straight line basis.

(k) *Capital Assets*

Within the government-wide and proprietary fund financial statements, capital assets, including infrastructure, are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Contributed fixed assets are valued at their estimated fair market value on the date of donation. Capital assets include public domain infrastructure, including roads and bridges. The City defines capital assets as assets with individual costs of more than \$5,000 and estimated useful lives in excess of one year. Capital assets used in operations are depreciated or amortized using the straight line method over the lesser of the capital lease period or their estimated useful lives in the government-wide and proprietary fund financial statements. Assets are depreciated using the half year convention in the first and last years of the asset’s useful life.

The estimated useful lives are as follows:

Infrastructure	15 – 50 years
Buildings and systems	15 – 40 years
Improvements	5 – 30 years
Machinery and equipment	5 – 20 years
Vehicles	5 – 15 years

(l) *Compensated Absences*

Employees earn annual vacation and sick leave at various specific rates during their period of employment. In the event of termination, an employee is reimbursed for accumulated vacation time. This balance is the total of a yearly carryover, up to a maximum of 280 hours for civilian bargaining and civilian management employees, plus the current year’s leave balance. Civilian management and bargaining employees are reimbursed for a percentage of accumulated sick leave up to a maximum of 2,000 hours (612.5 hours). Civilian and management employees have the option of accruing compensatory leave time at a rate of one and one half times the actual hours worked in lieu of the payment of overtime. Employees may accrue a maximum of 120 hours of compensatory time. The compensatory time must be taken within three months after the end of the calendar year in which it is earned and any remaining amounts are paid out in cash. However, the employee retains the right to cash out the compensatory leave balance at any time.

In the event of termination, police employees are reimbursed for accumulated vacation time up to a maximum of 320 hours, plus the current year leave balance. Upon retirement, death, or resignation after 20 years, police employees receive 1 for 1 for the first 1,200 hours of accumulated sick leave and 1 for 4 hours thereafter up to a maximum of 3,200 hours (1,700 hours). Police employees may accrue a maximum of 360 hours of compensatory time. In the event of termination, Fire Department 24-hour shift employees are reimbursed for accumulated vacation time up to a maximum of 492 hours, plus current year accumulation. Upon retirement, Fire Bargaining 24-hour shift employees are

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## Notes to Financial Statements

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reimbursed for accumulated sick leave 1 for 1 for the first 1,200 hours and 3 for 4 for all hours greater than 1,201 to 2,500 for a maximum 2,175 hours. Upon retirement, Fire Management employees are reimbursed for accumulated sick leave 1 for 1 for the first 1,200 hours and 1 for 4 for all hours greater than 1,201 to 3,200 for a maximum 1,700. In the event of termination, Fire Department 40-hour shift employees are reimbursed for accumulated vacation time up to a maximum of 240 hours, plus current year accumulation. Upon retirement, 40-hour shift employees are converted to 24-hour shift employees reimbursed for accumulated sick leave as above.

For the government-wide, proprietary and fiduciary fund financial statements, 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. Such accruals are based on current salary rates and include salary-related payments, such as the employer's matching Social Security and Medicare costs, associated with payments made for compensated absences on termination. In the governmental funds, a liability for these amounts is reported only if they have matured.

**(m) Self insurance**

The City self-insures all claims related to personal liability and property damage for City-owned vehicles, medical, dental, and workers' compensation and the first \$100,000 of buildings and contents coverage. The City has purchased separate commercial insurance to cover losses in excess of \$100,000 on buildings and contents. The City has purchased separate commercial insurance to cover helicopters used by the Police Department.

**(n) 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.

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

**(o) Interfund Transactions**

Interfund transactions are reflected as either loans, services provided, reimbursements, or transfers. Loans, which are reported as receivables and payables, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" or "advances to/from other funds."

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are

CITY OF OMAHA, NEBRASKA

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treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

**(p) Restricted Assets**

Restricted assets include deposits with trustees of various enterprise funds and capital projects.

**(q) Recent Accounting Pronouncements**

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement requires the accounting for the annual cost of other postemployment benefits and the related outstanding liability using an actuarial approach similar to pensions. This City currently recognizes this expense on a pay-as-you-go basis. The City has not completed its assessment of the impact of the adoption of this statement, which is required in 2007. However, it is expected this accounting change will increase expenses and result in an additional liability.

In September 2006, GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This Statement establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. The criteria should be used to determine the extent to which a transferor government either retains or relinquishes control over the receivables or future revenues through its continuing involvement with those receivables or future revenues. This Statement establishes that a transaction will be reported as a collateralized borrowing unless the criteria indicating that a sale has taken place are met. This Statement also includes guidance to be used for recognizing other assets and liabilities arising from a sale of specific receivables or future revenues, including residual interests and recourse provisions. The City has not completed its assessment of the impact of the adoption of this statement, which is required in 2007.

In November 2006, GASB issued Statement No. 49, *Accounting Financial Reporting for Pollution Remediation Obligations*. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The City has not completed its assessment of the impact of the adoption of this statement, which is required in 2008.

In May 2007, GASB issued Statement No. 50, *Pension Disclosures, an amendment of GASB Statements No. 25 and No. 27*. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The City has not completed its assessment of the impact of the adoption of this statement, which is required in 2008.

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the

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accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The City has not completed its assessment of the impact of the adoption of this statement, which is required in 2010.

*(r) Use of Estimates*

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles (GAAP) 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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**(2) Interfund Receivables, Payables, and Transfers**

Individual interfund receivables and payables at December 31, 2006 are as follows:

<u>Receivable fund</u>	<u>Amount</u>	<u>Payable fund</u>
General Fund	\$ 70,775	Nonmajor enterprise funds
General Fund	420,944	Parking Facilities Fund

All remaining balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All amounts are expected to be paid within one year.

Transfers are related to funding for capital projects, lease payments, debt service, or reallocations of special revenues. The following schedule briefly summarizes the City's transfer activity:

	<u>Transfer to</u>		<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Governmental</u>	
<b>Transfers from</b>			
Major Governmental Funds:			
General Fund	\$ —	600,000	600,000
Major Enterprise Funds:			
Sewer	—	50,000	50,000
Nonmajor Enterprise	4,000	—	4,000
<b>Total</b>	<b>\$ 4,000</b>	<b>650,000</b>	<b>654,000</b>

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**(3) Deposits and Investments**

The City has generally pooled the cash resources of the various funds, except the pension trust fund, for investment purposes. Interest earned on pooled funds is credited to the City’s general fund in accordance with Nebraska State Statute Section 77-2315, R.R.S. 1943.

**(a) Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the City will not be able to recover its deposits. As of December 31, 2006, all of the City’s deposits were collateralized with securities held by the City’s agent in the City’s name.

**(b) City Investments**

City funds are invested in conformity with the Public Funds Security Act, Chapter 77, Article 23, specifically 77-2387, of the Nebraska Revised Statutes. Allowable investments include U.S. government bonds, U.S. treasury bills and notes, U.S. agency bonds and notes, certain state and political subdivision bonds, repurchase agreements, warrants of the State of Nebraska and Nebraska political subdivisions, and certain instruments of the FHLM, federal farm credit system, FHLB, FNMA, and the Small Business Administration. The government money market mutual fund consists of only those securities that are allowed by N.R.S. 77-2387.

**Custodial Credit Risk** – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**Interest Rate Risk** – Interest rate risk is the risk that the fair value of the City’s investments will decrease as a result of an increase in interest rates. The City’s investment policy related to maturity is as follows: U.S. Treasury Securities cannot exceed five years; Zero-Coupon or Stripped Coupon U.S. Treasury Notes or Bonds cannot exceed two years; Certificates of Deposit issued by commercial banks cannot exceed 12 months; all other investments not mentioned above cannot exceed a five year maturity from the date of purchase.

Investment type	Fair value	Investment term	
		Less than 1 year	1 – 5 years
U.S. Agencies	\$ 114,864,148	56,866,710	57,997,438
Certificates of Deposit	31,758,621	31,758,621	—
Repurchase Agreements	11,000,031	—	11,000,031

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**Credit Risk** – Credit risk is the risk that the City will not recover its investments due to the inability of the counterparty to fulfill their obligation. State statute limits investment options to certain specific investment vehicles. There is no statutory requirement for investments to meet a certain quality rating.

<u>Investment type</u>	<u>Fair value</u>	<u>Quality rating AAA</u>
U.S. Agencies	\$ 114,864,148	114,864,148
Repurchase Agreements	11,000,031	11,000,031

**Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of the City’s investment in a single issuer. State statute does not restrict the concentration of investment in any issuer. The City’s policy states that no more than 25% of the total portfolio will be invested in the issuance of any single institution other than securities of the U.S. government and its agencies. Concentrations of investment by issuer are displayed in the following table:

<u>Investment type</u>	<u>Fair value</u>	<u>Percent</u>
U.S. Agencies	114,864,148	72.9%
Certificates of Deposit	31,758,621	20.1
Repurchase Agreements	11,000,031	7.0

(c) ***Pension Trust Funds***

The Pension Trust Funds consist of two funds: the civilian plan and the uniform plan. These pension programs operate in compliance with all city, state, and federal statutes, particularly Omaha Municipal Code Chapter 22 and Nebraska State Statute 30-3209. City pension funds are invested according to a plan developed and reviewed quarterly by each plan’s Investment Committee. The plans define the purposes of the assets, identify the parties responsible for managing the investment process, establish both broad and specific guidelines for the investment of the fund’s assets, and establish 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, bank STIF funds, GICs, BICs, and government bonds. They can be in mutual funds or privately managed accounts.

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**Interest Rate Risk** – The Pension Board of each plan with the recommendation from the respective Investment Committee approves fund manager agreements. These management agreements outline specific investment policies each manager must adhere to. The Retirement Committees do restrict the general asset allocation to fixed income. The Police & Fire Fund’s target range for fixed income assets is between 20% and 30% of the portfolio value and the Civilian Fund’s range is between 25% and 35%. Fixed income investments are held in five accounts managed by four managers: \$154.3 million in managed accounts and \$26.2 million in a bond mutual fund. Maturities of the securities in these commingled funds are as follows:

<b>Managed accounts</b>				
<b>Investment type</b>	<b>Maturity range (years)</b>			
	<b>Less than 1 year</b>	<b>1 – 5</b>	<b>6 – 10</b>	<b>10 +</b>
U.S. Treasuries	1.9%	9.2%	9.2%	5.3%
U.S. Agencies	0.8	7.4	11.6	7.1
Corporate Bonds	1.8	20.7	18.0	7.0

  

<b>Bond mutual fund</b>	
<b>Maturity</b>	<b>% of fund</b>
0 – 1 years	7.9%
1 – 2 years	6.2
2 – 3 years	25.5
3 – 4 years	34.7
4 – 5 years	25.7

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**Credit Risk** – Credit risk involves the potential of loss of fair value due to the quality of the fixed income investments. The Investment Committees of each plan monitor and select fixed fund managers based on an investment policy that diversifies the plan’s risks. Each manager employs a varying type of investment style. Fixed income investments are held in five accounts and are managed by four managers: \$154.3 million in managed accounts and \$26.2 million in a bond mutual fund. The quality ratings of the securities in these commingled funds are as follows:

<b>Managed accounts</b>		
<b>Investment type</b>	<b>Ratings</b>	<b>Percent of total</b>
U.S. Treasuries	AAA	100%
U.S. Agencies	AAA	100
Corporate Bonds	AAA/A3	82
Corporate Bonds	BAA1/BBB	15
Corporate Bonds	N/R	3
<b>Bond mutual fund</b>		
<b>Rating</b>		<b>% of fund</b>
TSY/Ysy		8.8%
AGY/Agy		41.4
AAA/Aaa		31.5
AA+/A3		12.3
BBB/Ba2		6.0

**Concentration of Credit Risk** – Fixed income securities guidelines are governed by each manager’s individual management contract. This allows a wide variety of management styles, thus diversifying each portfolio. Combined target allocation for fixed income securities shall be 20% to 35% of the portfolio. Equity investments shall be 40% to 60% of the portfolio with large cap domestics (30% to 53%), small cap domestics (7% to 20%), and international equities (5% to 15%). Domestic real estate securities shall be 5% to 15% of the portfolio. They may be held individually or commingled in mutual funds and investment pools. There are no individual investments greater than 5% with a single issuer.

<b>Investment type</b>	<b>Fair value</b>	<b>Percent allocated</b>
Government Securities	\$ 104,855,578	13%
Corporate Bonds	75,661,769	10
Domestic Equities	425,343,577	53
International Equities	81,765,419	10
Domestic Real Estate Securities	93,573,719	12
Cash and cash equivalents	15,709,414	2
Total	\$ 796,909,476	100%

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**(d) Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The City has no policy related to foreign currency risk.

**(4) Net Assets/Fund Balances**

The government-wide and business-type activities fund financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted, and unrestricted.

- *Invested in Capital Assets, Net of Related Debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- *Restricted Net Assets* – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Assets* – This category represents net assets of the City not restricted for any project or other purpose.

In the fund financial statements, reservations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves are established by actions of the Council and management and can be increased, reduced, or eliminated by similar actions. As of December 31, 2006, reservations of fund balance are described below:

- *Encumbrances* – to reflect the outstanding contractual obligations for which goods and services have not been received.
- *Inventories* – to reflect the portion of assets that do not represent available spendable resources.
- *Debt service* – to reflect the portion of assets that are held for payment of debt service.
- *Perpetual care* – to reflect the portion of assets that are held for perpetual care costs.

**(5) Special Assessment Note Payable**

The City has obtained a short term note dated December 22, 2006 to fund the current requirements in the Special Assessment Fund for the purpose of meeting obligations to contractors for work in place that will ultimately be assessed to the benefited property owners. The term of the note is one year, in the amount of \$1,025,000, at an interest rate of 5.30%. The note will be repaid from collections of special assessments.

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**(6) Bonds Payable and Other Long-Term Obligations**

The following is a summary of long-term liability transactions for the year ended December 31, 2006:

	<u>Balances at January 1, 2006</u>	<u>Issuances or other additions</u>	<u>Retirements or other reductions</u>	<u>Balances at December 31, 2006</u>	<u>Amount due within one year</u>
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 459,425,000	26,625,000	31,000,000	455,050,000	22,455,000
Annexed general obligation bonds	25,331,472	—	4,125,000	21,206,472	1,230,000
Special tax revenue bonds	39,555,000	—	1,360,000	38,195,000	1,495,000
Special obligation bonds	59,968,946	—	643,542	59,325,404	670,527
Deferred amounts:					
Unamortized premium	33,478,278	168,837	1,739,535	31,907,580	—
Loss on refunding	(36,816,927)	(402,801)	(2,032,261)	(35,187,467)	—
Total bonds payable	<u>580,941,769</u>	<u>26,391,036</u>	<u>36,835,816</u>	<u>570,496,989</u>	<u>25,850,527</u>
Special assessment notes payable	741,000	1,025,000	741,000	1,025,000	1,025,000
Lease-purchase contracts payable	34,101,896	9,003,800	8,375,594	34,730,102	2,584,278
Notes payable	3,506,760	—	201,918	3,304,842	208,579
Grants payable	16,226,797	—	3,906,797	12,320,000	3,730,000
Compensated absences	45,815,801	16,451,960	—	62,267,761	3,113,388
Workers' compensation and healthcare claims	20,064,492	—	7,721,948	12,342,544	4,668,447
Claims and judgments payable	3,573,000	—	162,000	3,411,000	3,411,000
Net pension obligation	<u>27,340,968</u>	<u>12,224,293</u>	<u>—</u>	<u>39,565,261</u>	<u>—</u>
Total governmental long-term liabilities carryforward	<u>732,312,483</u>	<u>65,096,089</u>	<u>57,945,073</u>	<u>739,463,499</u>	<u>44,591,219</u>

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	<b>Balances at January 1, 2006</b>	<b>Issuances or other additions</b>	<b>Retirements or other reductions</b>	<b>Balances at December 31, 2006</b>	<b>Amount due within one year</b>
Brought forward	\$ 732,312,483	65,096,089	57,945,073	739,463,499	44,591,219
Business-type activities:					
Convention Center Hotel:					
Revenue bonds	110,155,000	—	—	110,155,000	425,000
Less unamortized discount	(944,278)	—	(35,972)	(908,306)	—
	<u>109,210,722</u>	<u>—</u>	<u>(35,972)</u>	<u>109,246,694</u>	<u>425,000</u>
Parking Facilities Fund:					
Lease-purchase contracts payable	49,920,000	1,295,000	1,450,000	49,765,000	1,950,000
Deferred amounts:					
Unamortized premium	74,344	6,486	9,429	71,401	—
Loss on refunding	(285,742)	—	(28,507)	(257,235)	—
Compensated absences	29,885	2,445	—	32,330	1,616
	<u>49,738,487</u>	<u>1,303,931</u>	<u>1,430,922</u>	<u>49,611,496</u>	<u>1,951,616</u>
Sewer Revenue Fund:					
Revenue bonds	—	53,170,000	—	53,170,000	—
Plus unamortized premium	—	912,583	3,802	908,781	—
Notes payable	17,116,093	17,908,940	1,994,396	33,030,637	1,835,938
Special obligation bonds	20,836,054	—	481,458	20,354,596	499,473
Plus unamortized premium	190,174	—	18,722	171,452	—
Compensated absences	1,191,190	145,854	—	1,337,044	119,119
Workers' compensation and healthcare claims	827,424	—	205,376	622,048	298,583
Pension obligation	1,127,492	344,470	—	1,471,962	—
	<u>41,288,427</u>	<u>72,481,847</u>	<u>2,703,754</u>	<u>111,066,520</u>	<u>2,753,113</u>
Nonmajor business-type activities:					
Revenue bonds	445,000	—	140,000	305,000	150,000
Compensated absences	491,723	51,601	22,424	520,900	26,044
Workers' compensation and healthcare claims	378,634	—	89,713	288,921	25,544
Pension obligation	515,921	167,755	—	683,676	—
	<u>1,831,278</u>	<u>219,356</u>	<u>252,137</u>	<u>1,798,497</u>	<u>201,588</u>
Total business-type activities	<u>202,068,914</u>	<u>74,005,134</u>	<u>4,350,841</u>	<u>271,723,207</u>	<u>5,331,317</u>
Total all funds	<u>\$ 934,381,397</u>	<u>139,101,223</u>	<u>62,295,914</u>	<u>1,011,186,706</u>	<u>49,922,536</u>

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Long-term debt at December 31, 2006 is comprised of the following individual issues:

**General Obligation Bonds**

<u>Amount</u>	<u>Original issued</u>	<u>Issue</u>	<u>Effective interest rate payable semiannually</u>	<u>Series due</u>	<u>First date callable</u>	<u>December 31, 2006</u>
\$ 17,315,000	11-01-95	Various purpose – refund series	4.75 – 5.00	1996 – 2008	2005	\$ 1,400,000
14,470,000	12-01-95	G.O. – defeasance bonds	4.70 – 5.00	1996 – 2007	2005	540,000
16,755,000	12-01-96	Various purpose – refund series	5.0 – 5.25	1997 – 2008	2009	1,610,000
12,075,000	03-01-97	G.O. – defeasance bonds	4.70 – 4.95	1998 – 2009	2006	2,530,000
26,475,000	12-15-97	Various purpose – refund series	4.50 – 5.00	1998 – 2017	2007	12,360,000
27,120,000	12-01-98	G.O. – defeasance bonds	4.10 – 5.00	2000 – 2015	2008	13,115,000
25,445,000	12-15-98	Various purpose – refund series	4.20 – 4.50	1999 – 2018	2008	12,570,000
36,570,000	11-15-99	Various purpose – refund series	5.00 – 5.125	2000 – 2019	2009	21,005,000
21,000,000	12-01-00	Various purpose	4.10 – 5.20	2001 – 2020	2010	19,500,000
24,165,000	12-01-00	G.O. – defeasance bonds	4.10 – 5.75	2001 – 2017	2010	17,590,000
21,000,000	11-15-01	Various purpose	3.00 – 4.75	2002 – 2021	2011	15,750,000
16,000,000	03-01-03	Various purpose	2.75 – 5.00	2003 – 2022	2013	13,465,000
30,175,000	03-01-03	G.O. – defeasance bonds	1.50 – 4.30	2003 – 2021	2013	23,490,000
205,875,000	04-01-04	G.O. – defeasance bonds	5.25 – 5.25	2012 – 2027	2014	205,875,000
31,660,000	04-01-04	Various purpose – refund series	2.00 – 4.125	2005 – 2024	2014	26,965,000
42,800,000	11-15-05	Various purpose – refund series	4.00 – 4.75	2006 – 2025	2015	40,660,000
26,625,000	10-15-06	Various purpose – refund series	4.00 – 4.25	2007 – 2026	2016	26,625,000
		Total general obligation bonds				<u>455,050,000</u>

**Annexed Area Bonds**

652,852	03-15-91	S.I.D. #235	1.00	1995 – 2010	None	645,963
285,509	03-15-91	S.I.D. #235	—	2010	None	285,509
4,245,000	07-15-01	S.I.D. #411	4.00 – 4.90	2002 – 2009	2006	505,000
5,420,000	07-15-01	S.I.D. #450	4.00 – 5.05	2002 – 2010	2006	205,000
2,210,000	01-15-04	S.I.D. #203	1.40 – 4.70	2005 – 2024	2009	2,045,000
2,800,000	10-15-03	S.I.D. #381	1.70 – 5.25	2004 – 2022	2007	2,505,000
2,000,000	05-01-02	S.I.D. #433	3.00 – 6.00	2003 – 2022	2007	1,735,000
3,150,000	01-15-04	S.I.D. #433	1.40 – 4.70	2005 – 2024	2009	2,915,000
3,500,000	12-01-03	S.I.D. #448	1.50 – 5.20	2004 – 2023	2007	3,335,000
7,600,000	05-01-04	S.I.D. #448	1.35 – 4.90	2005 – 2024	2008	7,030,000
		Total annexed area bonds				<u>21,206,472</u>
		Total general obligation and annexed area bonds				<u>\$ 476,256,472</u>

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2006



**Special Tax Revenue Bonds**

<u>Amount</u>	<u>Original issued</u>	<u>Issue</u>	<u>Effective interest rate payable semiannually</u>	<u>Series due</u>	<u>First date callable</u>	<u>December 31, 2006</u>
\$ 8,500,000	8-1-97	Aksarben Redevelopment Bonds	4.5 – 5.25%	1998 – 2012	2007	\$ 2,550,000
6,195,000	11-2-99	Downtown Northeast Redevelopment Project	4.0 – 6.25	2000 – 2019	2009	4,685,000
3,115,000	12-1-98	Riverfront Redevelopment Project Series 1998	3.75 – 4.55	1999 – 2008	2003	725,000
8,670,000	2-1-02	Riverfront Redevelopment Project Series 2002A	5.125 – 5.50	2002 – 2032	Various	8,670,000
1,830,000	2-1-02	Riverfront Redevelopment Project Series 2002B	variable	2002 – 2013	2012	1,830,000
20,325,000	9-1-04	Performing Arts Complex Redevelopment Bonds	2.50 – 5.00	2005 – 2024	2014	<u>19,735,000</u>
						<u>\$ 38,195,000</u>

**Enterprise Funds Revenue Bonds**

<u>Amount</u>	<u>Original issued</u>	<u>Issue</u>	<u>Effective interest rate payable semiannually</u>	<u>Series due</u>	<u>First date callable</u>	<u>December 31, 2006</u>
\$ 1,250,000	3-1-99	Dodge Park Marina	4.0 – 4.5%	1999 – 2008	2004	\$ 305,000
102,970,000	4-1-02	Convention Center Hotel Revenue, Series 2002A	4.0 – 5.50	2007 – 2032	2012	102,970,000
7,185,000	4-1-02	Convention Center Hotel Revenue, Series 2002B	9.5	2005 – 2032	2007	7,185,000
53,170,000	11-15-06	Sanitary Sewer System Revenue Bonds Series 2006	4.0 – 4.5	2006 – 2036	2016	<u>53,170,000</u>
						<u>\$ 163,630,000</u>

**Special Obligation Bonds—Governmental Activities**

<u>Amount</u>	<u>Original issued</u>	<u>Issue</u>	<u>Effective interest rate payable semiannually</u>	<u>Series due</u>	<u>First date callable</u>	<u>December 31, 2006</u>
\$ 29,800,000	2-1-02	Riverfront Redevelopment Project Series 2002A	4.00 – 5.50%	2003 – 2032	2012	\$ 27,325,404
32,000,000	2-1-02	Riverfront Redevelopment Project Series 2002B	Variable	2002 – 2026	2012	<u>32,000,000</u>
						<u>\$ 59,325,404</u>

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2006



**Special Obligation Bonds—Business-type Activities**

<u>Amount</u>	<u>Original issued</u>	<u>Issue</u>	<u>Effective interest rate payable semiannually</u>	<u>Series due</u>	<u>First date callable</u>	<u>December 31, 2006</u>
\$ 22,200,000	2-1-02	Riverfront Redevelopment Project Series 2002A	4.00 – 5.50%	2003 – 2032	2012	\$ <u>20,354,596</u>

As of December 31, 2006, the debt service requirements of the City for principal and interest in future years are as follows:

	<b>Governmental activities</b>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending December 31:			
2007	\$ 25,850,527	28,111,421	53,961,948
2008	26,768,191	26,956,205	53,724,396
2009	25,941,106	25,538,301	51,479,407
2010	24,640,686	24,771,160	49,411,846
2011	25,505,878	23,461,506	48,967,384
2012 – 2016	143,182,605	96,868,312	240,050,917
2017 – 2021	136,603,831	61,491,235	198,095,066
2022 – 2026	122,607,838	27,105,584	149,713,422
2027 – 2031	38,174,632	4,302,756	42,477,388
2032	4,501,582	117,275	4,618,857
	<u>\$ 573,776,876</u>	<u>318,723,755</u>	<u>892,500,631</u>

	<b>Business-type activities</b>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending December 31:			
2007	\$ 1,074,473	9,385,653	10,460,126
2008	2,130,818	9,337,858	11,468,676
2009	2,202,163	9,244,683	11,446,846
2010	2,423,508	9,146,121	11,569,629
2011	2,669,122	9,035,942	11,705,064
2012 – 2016	17,807,395	42,845,258	60,652,653
2017 – 2021	23,996,169	37,269,793	61,265,962
2022 – 2026	36,857,162	29,574,817	66,431,979
2027 – 2031	60,760,368	16,988,962	77,749,330
2032 – 2036	34,063,418	2,560,411	36,623,829
	<u>\$ 183,984,596</u>	<u>175,389,498</u>	<u>359,374,094</u>

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2006



General obligation bonds have been approved by the voters and issued by the City for various municipal improvements. These bonds represent indebtedness supported by the full faith and credit of the City.

**Notes Payable**

Notes payable consist of a loan contract between the City and the U.S. Army Corps of Engineers and four loan contracts between the City and the Nebraska Department of Environmental Quality (NDEQ) with interest rates ranging from 4% to 5%. Maturities of the notes payable are as follows:

	<b>Governmental activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year ending December 31:			
2007	\$ 208,579	112,214	320,793
2008	215,460	105,333	320,793
2009	222,570	98,223	320,793
2010	229,916	90,877	320,793
2011	237,505	83,288	320,793
2012 – 2016	869,257	316,133	1,185,390
2017 – 2021	910,950	169,797	1,080,747
2022 – 2026	410,605	21,693	432,298
	<u>\$ 3,304,842</u>	<u>997,558</u>	<u>4,302,400</u>
	<b>Business-type activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year ending December 31:			
2007	\$ 1,835,938	1,156,873	2,992,811
2008	1,898,193	1,094,618	2,992,811
2009	1,962,591	1,030,219	2,992,810
2010	2,029,209	963,602	2,992,811
2011	2,098,122	535,416	2,633,538
2012 – 2016	7,971,759	3,488,150	11,459,909
2017 – 2021	6,909,529	2,229,952	9,139,481
2022 – 2026	8,325,296	814,466	9,139,762
	<u>\$ 33,030,637</u>	<u>11,313,296</u>	<u>44,343,933</u>

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2006



**Grants Payable**

The City has entered into various agreements with not-for-profit organizations to provide grant funds as follows:

2007	3,730,000
2008	3,865,000
2009	2,050,000
2010	2,050,000
2011	500,000
2012	125,000
	<hr/>
	\$ 12,320,000
	<hr/> <hr/>

**Tax Increment Financing Notes and Bonds**

At December 31, 2006, \$149,792,964 of tax increment financing notes and bonds was outstanding. The related tax increment districts are not component units of the City; therefore, the City is not liable for the outstanding debt. The City's responsibility for this liability is limited only to remittance of paid taxes to the lenders.

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2006



Tax increment notes and bonds outstanding at December 31, 2006 are comprised of the following individual issues listed below and on the following pages:

**Tax Increment Notes and Bonds**

<b>Original amount</b>	<b>Issue</b>	<b>Effective interest rate at issuance</b>	<b>December 31, 2006</b>
\$ 95,000	Jackson Street Partnership	8.00%	\$ 70,231
61,500	McCarthy Printing	8.25	10,629
210,000	Aspen Ridge Apartments	10.00	153,696
246,250	Eggress—O'Flying Building	10.00	10,694
180,015	National Building	9.00	107,972
75,000	Hamilton Terrace Apts.	10.00	1,597
581,820	Farnam Park Investments	8.00	284,377
167,600	Kellom Heights	10.00	66,041
1,135,000	Food Services of America	8.00	1,433,053
30,000	Kohlls Drug	8.50	37,521
235,000	Millard Recycling	7.25	292,685
181,500	1115 Harney LLP	9.00	192,395
550,000	1101 Harney LLC	8.00	194,802
2,650,000	First Data Resources	8.00	2,616,451
479,000	Lozier III	7.00	82,615
290,000	Orchard Manor	9.50	182,342
1,725,000	Millard Refrigeration Svc/NE Beef	6.00	1,428,672
1,224,000	Westin Aquila	7.00	618,172
377,000	Drake Williams Steel	9.25	541,535
200,000	Upstream Brewing Co.	10.13	194,994
374,000	Securities Building LP	8.00	295,573
	Carried forward		8,816,046

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2006



**Tax Increment Notes and Bonds**

<u>Original amount</u>	<u>Issue</u>	<u>Effective interest rate at issuance</u>	<u>December 31, 2006</u>
	Brought forward		\$ 8,816,046
\$ 540,000	Rivergate Apartments	8.75%	373,967
94,140	Caldwell Limited Partnership	10.00	72,185
90,000	Packers Engineering and Equipment	9.25	20,278
88,830	Kellom Plaza	10.00	54,883
500,000	Premier Place Development	9.25	614,650
42,885	Ames/Fontenelle LLC	9.00	51,968
1,519,000	Downtown Northeast	8.00	1,407,410
424,000	Bull Durham	9.00	369,291
110,000	Grace Plaza/Twentieth Plaza	8.50	121,625
139,000	Riverview Meadows	9.00	237,775
195,000	Campus for Hope	2.71	115,736
400,000	American Laboratories	9.00	497,201
655,000	Ford Warehouse Apartments	9.00	577,052
419,000	Spaghetti Building	9.00	420,186
260,000	Quality Refrigerated Services	8.50	138,122
202,000	Riley Building LLC	8.00	289,311
273,000	Cannonball Express #3	9.00	147,431
243,600	Village Development	8.00	257,438
175,000	Immaculate Conception School	8.00	188,598
180,225	Robbins School LLP	9.00	159,601
76,000	L&R Holdings LLC	8.50	52,513
790,000	Bernis Company, Inc.	8.50	1,302,662
378,000	Joslyn Lofts Limited Partnership	8.00	444,235
918,400	St. Joseph Terrace Apts. LLC	8.00	954,888
118,000	South Omaha Affordable Housing Corp.	8.50	138,416
894,600	707 South 11th Street LP	7.50	1,180,269
2,087,400	1023 Jones Street LLP	7.25	2,215,096
186,000	E.A. Pedersen Redevelopment	8.00	260,569
180,000	1234 South 13th Street	8.78	286,034
5,972,725	Ames Center/Benson Plaza Redevelopment	8.00	8,127,554
2,098,000	Airlite Plastics Company	7.75	1,781,652
1,553,000	Hilton Garden Inn	9.00	1,493,827
77,950	Roman Marble Products	8.00	86,116
495,000	Abbot Drive Plaza Redevelopment	8.00	791,516
100,000	Meredith Manor	10.00	102,296
285,000	1613 Farnam Street LLC	8.50	287,409
100,000	Cox/Suburban Electric Redevelopment	8.50	103,255
50,000	T&B Properties LLC	9.50	60,527
	Carried forward		<u>34,599,590</u>

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2006



**Tax Increment Notes and Bonds**

<b>Original amount</b>	<b>Issue</b>	<b>Effective interest rate at issuance</b>	<b>December 31, 2006</b>
	Brought forward		\$ 34,599,590
\$ 100,000	Kellom Plaza North	9.00%	17,078
71,000	Big Jim's Plus Gas & Convenience Store	9.38	99,362
4,100,000	Omaha World Herald	9.00	4,069,684
202,000	Channel Construction (Airport Bus. Park	8.00	288,475
238,000	Cohen Squared LLC	8.75	251,613
150,000	Fullwood Square Apartments LLP	8.75	184,037
285,000	O'Keefe Elevator Company, Inc. Red.	8.50	266,474
307,200	Ames Avenue LLC	8.00	300,718
355,000	Village Development (24th Street LLC)	8.00	385,561
438,000	Turner Park LLC Redevelopment	8.00	508,612
106,800	Bradford Investment Group (Benson)	9.00	168,226
553,000	Cintas Group (North Omaha Business Park)	8.50	774,067
1,600,000	Drake Court Apts. (710 S 20th LLC)	7.00	1,778,103
602,498	Signa Development Svcs (Omaha Club)	7.50	852,150
125,000	Kellom Villa Limited	7.25	128,022
120,000	Kellom Gardens Limited	7.25	123,625
86,600	Armored Knights	5.00	86,447
1,108,538	Phillips Realty LLC	5.00	1,136,937
243,000	King's Heritage Estates I	8.00	272,965
790,000	1000 Dodge Street LLC	6.50	903,812
1,400,000	Livestock Exchange Building LLC	7.00	1,920,823
580,000	Miami Heights Area Redevelopment	8.50	589,050
1,335,000	Greater Omaha Packing II	6.00	1,784,482
721,000	Airlite Plastics Company II	6.00	669,232
526,000	California Housing LLC	7.50	682,056
150,000	QRS (Quality Refrigerated Svcs) Redev II	8.25	210,375
856,000	Hy-Vee, Inc. Redevelopment	7.00	1,015,027
600,000	Twenty Fourth & Hamilton LLC	7.00	745,170
125,000	701 South 15th LLC	8.00	151,041
2,750,000	Courtland Place No. I LLC	8.00	3,211,145
4,200,000	Riverfront Partners LLC	5.50	4,809,713
777,000	1111 Jones Street LLC (Museum Kaneko)	7.00	924,472
450,000	DTD LLC & Jobbers Canyon LLC	7.00	522,098
1,495,000	National Parks Service Redevelopment	5.50	1,536,251
	Carried forward		<u>65,966,492</u>

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2006



**Tax Increment Notes and Bonds**

<b>Original amount</b>	<b>Issue</b>	<b>Effective interest rate at issuance</b>	<b>December 31, 2006</b>
	Brought forward		\$ 65,966,492
\$ 1,840,000	Model T Ford Building LLC	7.00%	2,082,598
1,000,000	T.S. McShane LLC (P.E. II Bldg)	7.00	1,149,825
8,490,000	Sorenson Park Plaza Commercial Develop		9,481,669
510,000	Sutherland Plaza LLC	6.00	579,672
525,000	U.S. Food Service	6.50	554,720
232,000	The Village at Omaha LP Redevelopment	8.00	260,761
150,000	5217 South 28th Street LLC Redevelopment	7.00	166,164
108,000	Underwood Properties, Inc.	7.00	117,665
4,000,000	Shamrock Parking LLC	7.00	4,500,562
566,000	BM & J Holdings LLC	7.00	627,223
321,730	Rycan, Inc. (dba Wes & Willy Redev)	7.00	352,020
275,000	St Clair Condos LLC	6.70	294,981
983,000	Grover Street Acquisition LLC	6.00	1,060,482
3,440,000	BOCA (Beebe Runyan) Development	7.00	3,715,765
9,750,000	Brandeis Lofts LLC Condominiums	7.00	10,374,534
1,950,000	Jackson Lofts LLC Redevelopment	7.00	2,092,724
2,709,950	Benson Park Plaza Phase II	6.50	2,900,018
1,349,000	Bushido University LLC	8.00	1,458,433
239,817	La Cuadra LLC	7.25	249,400
104,000	Nathan LP/Nathan Development LLC	7.80	107,996
1,800,000	River City Lodging LLC	7.50	1,826,334
440,000	The Hill Condo Conversions	6.00	449,945
1,949,000	North Central Group Redev Phase I	7.50	2,021,393
2,315,500	North Central Group Redev Phase II	7.25	2,401,507
160,000	DEEL Investments LLC	7.25	165,330
1,100,000	Kimball Lofts LLC	8.00	1,154,563
2,528,000	DMK Investments LLC	8.50	2,612,186
	Carried forward	6.50	<u>118,724,964</u>

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2006



**Tax Increment Notes and Bonds**

<b>Original amount</b>	<b>Issue</b>	<b>Effective interest rate at issuance</b>	<b>December 31, 2006</b>
	Brought forward – Tax increment notes		\$ 118,724,964
\$ 3,510,000	Riverfront Hotel Redevelopment Project	6.00%	1,375,000
1,210,000	Riverfront Hotel Redevelopment Project	4.00%	442,000
3,440,000	Downtown Northeast – Redevelopment Project No. 1	6.25%	2,188,000
14,515,000	FNB Tower Project – Series 1999A	6.965% – 7.675%	11,330,000
3,500,000	FNB Tower Project – Series 1999B	6.965% – 7.675%	2,730,000
4,649,620	Riverfront Redevelopment – ConAgra Series 2A	6.50%	1,152,830
1,420,380	Riverfront Redevelopment – ConAgra Series 2B	6.50%	352,170
620,000	Downtown NE Redevelopment – Child Care Facility	5.00%	444,000
600,000	Downtown NE Redevelopment – FNB Data Center 2004	5.90%	264,000
11,585,000	Convention Center Hotel Redevelopment Project	2.5% – 4.85%	<u>10,790,000</u>
	Total tax increment bonds		<u>31,068,000</u>
	Total tax increment notes and bonds		<u><u>\$ 149,792,964</u></u>

**Debt Margin/Covenants**

According to the City Charter, the total amount of general obligation indebtedness (including annexed area bonds) outstanding at any time, which shall include bonds issued but shall not include bonds authorized until they are issued, shall not exceed 3.5% of the actual value of taxable real and personal property in the City. Debt margin as of December 31, 2006 is calculated as follows:

Debt limit	\$ <u>779,309,456</u>
General obligation debt	476,256,472
General debt service fund balance	<u>11,888,320</u>
	<u>464,368,152</u>
Debt margin	\$ <u><u>314,941,304</u></u>

Revenue bonds and certain other long term obligations are the obligation of specific Enterprise funds and are payable solely from the revenues of the respective funds. Provisions in the revenue bond ordinances

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2006



contain limitations and restrictions on annual debt service requirements, maintenance of and flow of moneys through various restricted accounts, and minimum amounts to be maintained in various accounts. It is management's opinion the City is in compliance with all such significant provisions.

**In substance Defeasance**

On October 15, 2006, the City issued \$11,425,000 of general obligation refunding bonds to provide resources to purchase U.S. Government, State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$11,265,000 of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$402,801. This amount is being netted against the new debt and amortized over the shorter of the life of the refunded debt or original debt. This refunding was undertaken to reduce total debt service payments over the next 16 years by \$1,053,046 and resulted in an economic gain of \$721,236.

In prior years, the City defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. The amount of in substance defeased debt outstanding at December 31, 2006 is shown below:

**General Obligation Bonds**

Convention Center Series A	\$	115,435,000
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**Special Tax Revenue Bond**

Aksarben Redevelopment Bonds	\$	3,200,000
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**General Government Lease Purchase Bonds**

Northwest Library Lease Purchase Bonds	\$	4,980,000
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**Derivative Financial Instruments**

*Objective of the derivatives* – In order to protect against the potential of rising interest rates, the City entered into two separate fixed interest rate swap agreements.

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2006



*Terms, fair values, and credit risk* – The terms, including the fair values and credit ratings of the outstanding swaps as of December 31, 2006, are as follows. The notional amounts of the swaps match the principal amounts of the associated debt. The City’s swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated bonds.

<u>Associated bond issue</u>	<u>Notional amounts</u>	<u>Effective date</u>	<u>Fixed rate paid</u>	<u>Fair value</u>	<u>Swap termination date</u>	<u>Counterparty credit rating</u>
2002 SOB Bonds*	\$ 32,000,000	February 2002	6.12%	\$ 3,115,665	February 2026	N/A
2002 STRB Bonds**	<u>1,830,000</u>	February 2002	5.64%	42,718	February 2013	N/A
	<u>\$ 33,830,000</u>					

\* City of Omaha, Nebraska, Special Obligation Bonds (Riverfront Redevelopment Project), Taxable Series 2002B.

\*\* City of Omaha, Nebraska, Special Tax Revenue Redevelopment Bonds, Taxable Series 2002B.

*Termination risk* – The City or the counterparty may terminate the swaps if the other party fails to perform under the terms of the contract.

*Rollover risk* – The City is exposed to rollover risk on swaps that are terminated prior to the maturity of the associated debt. The termination dates for the City’s swap agreements mirror those of the associated debt; therefore; the City is only subject to rollover risk if it were to not be in compliance with the terms of the swap agreement, and as a result of this noncompliance, the counterparty terminated the agreement. If the counterparty were to terminate either of the swaps, the City will not realize the synthetic rate offered by the swaps on the underlying debt issues.

**(7) Leases**

The City is leasing libraries and other facilities under noncancelable lease-purchase agreements expiring at various times through 2033, at which time title will be conveyed to the City. The rental payments are designed to equal the debt service requirements of certain nonprofit organizations that financed the construction of the facilities. The City has an option to purchase the facilities at any time by paying an amount equal to the total of all remaining unpaid lease obligations to the lessor at that time.

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2006



The following schedule reflects future minimum lease payments under the lease purchase agreements together with the present value of the net minimum lease payments as of December 31, 2006:

	<b>Governmental activities</b>	<b>Business-type activities</b>
Fiscal year ending:		
2007	\$ 3,594,584	4,653,231
2008	3,811,533	4,679,287
2009	3,742,896	4,658,277
2010	3,741,215	4,660,690
2011	3,753,315	4,663,606
2012 – 2016	17,370,308	22,102,738
2017 – 2021	10,170,982	15,378,319
2022 – 2026	910,300	10,084,133
2027 – 2031	—	9,108,895
2032 – 2033	—	3,655,554
Total minimum lease payments	47,095,133	83,644,730
Less amount representing interest	12,365,031	33,879,730
Total principal obligation under capital leases with rates of interest from 2.50% to 7.98%	\$ 34,730,102	49,765,000

The City leases space in the Omaha Douglas Civic Center and the adjoining Hall of Justice under a lease that expires only upon payment of all outstanding bonds of the Omaha-Douglas Public Building Commission. The annual rental payments are determined based upon actual space occupied by the City for operation and maintenance. Actual rental payments for 2006 were approximately \$1,312,164.

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2006



**(8) Receivables and Due From Other Governments**

Receivables at December 31, 2006 of the City's major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Debt service</u>	<u>Nonmajor</u>	<u>Total governmental activities</u>	<u>Parking</u>	<u>Sewer fund</u>	<u>Nonmajor</u>	<u>Total business-type activities</u>	<u>Total</u>
Receivables:									
Property taxes	\$ 54,132,202	38,373,605	4,098,118	96,603,925	—	—	—	—	96,603,925
Telephone									
occupation tax	3,100,914	—	—	3,100,914	—	—	—	—	3,100,914
Hotel motel									
occupation tax	304,527	—	—	304,527	—	—	—	—	304,527
Vehicle rental									
occupation tax	454,304	—	—	454,304	—	—	—	—	454,304
Cable TV franchise									
fee	1,073,416	—	—	1,073,416	—	—	—	—	1,073,416
MUD in lieu of tax	1,148,456	—	—	1,148,456	—	—	—	—	1,148,456
OPPD in lieu of tax	25,688	18,576	1,579	45,843	—	—	—	—	45,843
Motor vehicle tax	686,408	—	—	686,408	—	—	—	—	686,408
Special assessment	—	1,659,421	2,976,593	4,636,014	—	—	—	—	4,636,014
State aid distribution	1,237,658	—	—	1,237,658	—	—	—	—	1,237,658
Due from other									
governments	22,586,629	210,198	22,736,863	45,533,690	—	—	33,619	33,619	45,567,309
Accrued interest	807,900	—	66,508	874,408	—	—	140	140	874,548
Charges for services									
and other	4,739,769	—	2,038,000	6,777,769	113,556	3,098,962	390,695	3,603,213	10,380,982
Gross									
receivables	90,297,871	40,261,800	31,917,661	162,477,332	113,556	3,098,962	424,454	3,636,972	166,114,304
Less allowance for									
uncollectible	(1,311,712)	(27,265)	(839,548)	(2,178,525)	—	—	—	—	(2,178,525)
Net total									
receivables \$	<u>88,986,159</u>	<u>40,234,535</u>	<u>31,078,113</u>	<u>160,298,807</u>	<u>113,556</u>	<u>3,098,962</u>	<u>424,454</u>	<u>3,636,972</u>	<u>163,935,779</u>

Governmental funds report deferred revenues in connection with receivables for revenues not considered available to liquidate liabilities of the current period. At December 31, 2006, the various components of deferred revenue and unearned revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property tax receivable (general fund)	\$ 53,274,940	—
Property tax receivable (debt service fund)	38,346,339	—
Special assessments (debt service fund)	1,659,422	—
Property tax receivable (other governmental funds)	3,258,569	—
Special assessments (other governmental funds)	2,976,593	—
Grants (other governmental funds)	12,179,890	692,845
	<u>\$ 111,695,753</u>	<u>692,845</u>

CITY OF OMAHA, NEBRASKA

Notes to Financial Statements

December 31, 2006



**(9) Employees' Retirement Plans**

Substantially all City employees are covered by one of two single employer contributory defined-benefit retirement plans. The City of Omaha Employees' Retirement System (the Civilian Plan) and the City of Omaha Police and Firefighters Retirement System (the Uniformed Plan), as described below, are accounted for by the City as Pension Trust Funds.

**(a) Civilian Plan**

*Plan Description* – The Civilian Plan is a single employer contributory defined-benefit pension plan. The Civilian Plan provides retirement benefits to plan members and beneficiaries. All eligible City employees, except the following, are covered by the plan: police; firefighters; persons paid on a contractual or fee basis; seasonal, temporary, and part-time employees; and elected officials who do not make written application. Cost of living adjustments are provided to members and beneficiaries at the discretion of the City in accordance with plan provisions. A cost of living adjustment currently is provided for members who retired prior to January 28, 1998 after a five year waiting period. The Pension Board of the City administers the Civilian Plan. The Pension Board is responsible for establishing or amending plan provisions. The Civilian Plan does not issue separate financial statements.

*Funding Policy* – Effective December 17, 2006, Civilian Plan members are required to contribute, by payroll deduction, 7.825% of their annual covered salary and the City is required to contribute at a rate of 9.025% of annual covered salary. Administrative costs for management of the funds are financed through investment earnings. Other administrative costs of the Civilian Plan are paid by the City's General Fund. Contributions to the Civilian Plan totaled \$3,532,486 for the employees and \$4,145,033 for the employer for the year ended December 31, 2006.

*Participant Data*

Number of:	
Active members	1,129
Service retirements	851
Surviving spouses and children	254
Disabled	93
Deferred vested	81
	<hr/>
Total participants	2,408
	<hr/> <hr/>

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2006



*Annual Pension Cost and Net Pension Obligation*—The City’s annual pension cost and net pension obligation to the Civilian Plan for the fiscal year ended December 31, 2006 are as follows:

Annual required contribution	\$ 6,213,800
Interest on net pension obligation	607,521
Adjustment to annual required contribution	<u>(685,860)</u>
Annual pension cost	6,135,461
Contributions made	<u>(4,145,033)</u>
Increase in net pension obligation	1,990,428
Net pension obligation, beginning of year	<u>(8,100,275)</u>
Net pension obligation, end of year	<u><u>\$ (10,090,703)</u></u>

Additional information as of the latest actuarial valuation follows:

Valuation date	January 1, 2004
Actuarial cost method	Entry age—normal cost
Amortization method	Level percent closed
Remaining amortization period	28 years
Asset valuation method	Adjusted value of plan assets 75% of Expected Value, plus 25% of Market Value
Actuarial assumptions:	
Investment rate of return	7.5% per year
Projected salary increases	4.5% per year
Cost-of-living adjustments	Lesser of 3% or \$50 per month

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2006



*Basis of Accounting*—The Civilian Plan’s financial statements are prepared using the accrual basis of accounting and are presented as a pension trust fund in the accompanying basic financial statements of the City. Separate audited financial statements for the Civilian Plan are not available. Plan member and employer contributions are recognized in the period in which the contributions are due. Benefits are provided based on a percentage of the member’s final average compensation and are recognized when due and payable. Summary financial information for the Civilian Plan is as follows:

<b>Assets</b>	
Receivables:	
Accrued interest	\$ 971,367
Other	336,160
Investments, at fair value	292,024,578
Total assets	<u>\$ 293,332,105</u>
<b>Liabilities</b>	
Warrants payable	\$ 40,913
Accounts payable	1,250,581
Total liabilities	<u>1,291,494</u>
<b>Net Assets</b>	
Net assets:	
Held in trust for pension benefits	292,040,611
Total liabilities and net assets	<u>\$ 293,332,105</u>
Additions:	
Contributions:	
Employer	\$ 4,145,033
Employee	3,532,486
Total contributions	<u>7,677,519</u>
Investment income (loss):	
Dividends and interest	6,152,927
Net appreciation in fair value of investments	24,687,909
Investment expenses	<u>(1,910,760)</u>
Net investment income	<u>28,930,076</u>
Total additions	36,607,595
Deductions:	
Benefit payments	<u>21,692,851</u>
Change in net assets	14,914,744
Net assets held in trust for pension benefits, beginning of year	<u>277,125,867</u>
Net assets held in trust for pension benefits, end of year	<u>\$ 292,040,611</u>

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2006



*Method Used to Value Investments*—Civilian Plan assets are invested in readily marketable securities and are carried at fair value. Investments in securities traded on a national securities exchange are valued at the latest quoted market prices. Unlisted investments are valued at latest quoted market prices.

**(b) Uniformed Plan**

*Plan Description* – The Uniformed Plan is a single employer contributory defined-benefit pension plan. The Uniformed Plan covers all eligible probationary and regular sworn personnel of the Police and Fire departments of the City. The Uniformed Plan provides retirement, disability, and death benefits to plan members and beneficiaries. Cost of living adjustments are provided to members and beneficiaries at the discretion of the City in accordance with plan provisions. The Pension Board of the City administers the Uniformed Plan. The Pension Board is responsible for establishing or amending plan provisions. The Uniformed Plan does not issue separate financial statements.

*Funding Policy* – Uniformed Plan members are required to contribute, by payroll deduction, a percentage of their annual covered salary and the City is also required to contribute as follows:

<b>Bargaining Group</b>	<b>Employee rate</b>	<b>City rate</b>
Fire Sworn	14.66%	20.27%
Fire Management	14.71	20.32
Police Sworn	13.86	19.48
Police Management	13.88	19.50

In addition, the City will make contributions of \$1,327,600 annually through 2028. Administrative costs for management of the funds are financed through investment earnings. Other administrative costs of the Uniformed Plan are paid by the City’s General Fund. Contributions to the Uniformed Plan totaled \$13,468,183 for the employees and \$20,348,436 for the employer for the year ended December 31, 2006.

*Participant Data*

Number of:

Active members	1,435
Service retirements	680
Surviving spouses and children	279
Disabled	252
Deferred vested	8
<b>Total participants</b>	<b>2,654</b>

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2006



*Annual Pension Cost and Net Pension Obligation* – The City’s annual pension cost and net pension obligation to the Uniformed Plan for the year ended December 31, 2006 are as follows:

Annual required contribution	\$ 31,102,053
Interest on net pension obligation	1,847,554
Adjustment to annual required contribution	<u>(1,855,081)</u>
Annual pension cost	31,094,526
Contributions made	<u>(20,348,436)</u>
Increase in net pension obligation	10,746,090
Net pension obligation, beginning of year	<u>(20,884,106)</u>
Net pension obligation, end of year	<u><u>\$ (31,630,196)</u></u>

Additional information as of the latest actuarial valuation follows:

Valuation date	January 1, 2005
Actuarial cost method	Entry Age Normal Method
Amortization method	Level percent of pay
Remaining amortization period	28 years
Asset valuation method	Actuarial value of assets
	One-third of market value, plus two-thirds of expected asset value
Actuarial assumptions:	
Investment rate of return	8% per year
Projected salary increases	5.5%
Final year wage adjustment	10.0%
Cost-of-living adjustments	Lesser of 3% or \$50 per month (\$65 for Fire retirements after June 30, 2007)

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2006



*Basis of Accounting* – The Uniformed Plan’s financial statements are prepared using the accrual basis of accounting and are presented as a pension trust fund in the accompanying financial statements of the City. Separate audited financial statements for the Uniformed Plan are not available. Plan member and employer contributions are recognized in the period in which the contributions are due. Benefits are provided based on a percentage of the member’s final average compensation and are recognized when due and payable. Summary financial information for the Uniformed Plan is as follows:

<b>Assets</b>	
Cash and cash equivalents	\$ 895,276
Receivables:	
Accrued interest	1,500,639
Other	1,196,674
Investments, at fair value	<u>504,884,898</u>
Total assets	<u>\$ 508,477,487</u>
<b>Liabilities</b>	
Accounts payable	<u>868,706</u>
Total liabilities	<u>868,706</u>
<b>Net Assets</b>	
Net assets:	
Held in trust for pension benefits	<u>507,608,781</u>
Total liabilities and net assets	<u>\$ 508,477,487</u>
Additions:	
Contributions:	
Employer	\$ 20,348,436
Employee	<u>13,468,183</u>
Total contributions	<u>33,816,619</u>
Investment income (loss):	
Dividends and interest	5,662,195
Net appreciation in fair value of investments	52,620,417
Investment expenses	<u>(2,937,437)</u>
Net investment income	<u>55,345,175</u>
Total additions	89,161,794
Deductions:	
Benefit payments	<u>34,876,022</u>
Change in net assets	54,285,772
Net assets held in trust for pension benefits, beginning of year	<u>453,323,009</u>
Net assets held in trust for pension benefits, end of year	<u>\$ 507,608,781</u>

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2006



*Method Used to Value Investments* – Uniformed Plan assets are invested in readily marketable securities and are carried at fair value. Investments in securities traded on a national securities exchange are valued at the latest quoted market prices. Unlisted investments are valued at latest quoted market prices.

**(10) Capital Assets**

Capital asset activity for the year ended December 31, 2006 is as follows:

	<u>Beginning balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balances</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 123,113,422	59,768	—	123,173,190
Cultural assets	5,833,600	—	—	5,833,600
Construction in progress	<u>36,843,190</u>	<u>22,761,985</u>	<u>7,495,110</u>	<u>52,110,065</u>
Total capital assets, not being depreciated	<u>165,790,212</u>	<u>22,821,753</u>	<u>7,495,110</u>	<u>181,116,855</u>
Capital assets, being depreciated:				
Buildings	454,972,464	8,451,327	—	463,423,791
Machinery and equipment	58,722,383	2,348,134	2,216,706	58,853,811
Infrastructure	335,103,382	14,725,837	—	349,829,219
Lease purchases	<u>51,266,611</u>	<u>1,873,715</u>	<u>—</u>	<u>53,140,326</u>
Total capital assets, being depreciated	<u>900,064,840</u>	<u>27,399,013</u>	<u>2,216,706</u>	<u>925,247,147</u>
Less accumulated depreciation for:				
Buildings	122,202,507	12,172,841	—	134,375,348
Machinery and equipment	39,706,977	4,042,676	2,155,540	41,594,113
Infrastructure	69,153,201	7,078,633	—	76,231,834
Lease purchases	<u>11,223,404</u>	<u>1,645,446</u>	<u>—</u>	<u>12,868,850</u>
Total accumulated depreciation	<u>242,286,089</u>	<u>24,939,596</u>	<u>2,155,540</u>	<u>265,070,145</u>
Total capital assets, being depreciated, net	<u>657,778,751</u>	<u>2,459,417</u>	<u>61,166</u>	<u>660,177,002</u>
Governmental activities capital assets, net	<u>\$ 823,568,963</u>	<u>25,281,170</u>	<u>7,556,276</u>	<u>841,293,857</u>

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2006



Depreciation expense was charged to functions/programs as follows:

Governmental activities:		
General government		\$ 720,696
Public safety		3,133,431
Community development		313,068
Ecological services		433,152
Culture and parks		12,876,251
Transportation services		<u>7,462,998</u>
Total depreciation expense – governmental		<u>\$ 24,939,596</u>

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

	<u>Beginning balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balances</u>
Convention Center Hotel Fund:				
Capital assets, not being depreciated:				
Cultural assets	\$ 498,366	—	—	<u>498,366</u>
Capital assets, being depreciated:				
Buildings	70,861,523	39,168	—	70,900,691
Machinery and equipment	3,479,229	11,047	—	3,490,276
Furniture and fixtures	<u>6,760,247</u>	<u>18,778</u>	—	<u>6,779,025</u>
Total capital assets, being depreciated	<u>81,100,999</u>	<u>68,993</u>	—	<u>81,169,992</u>
Less accumulated depreciation for:				
Buildings	2,654,894	1,772,568	—	4,427,462
Machinery and equipment	1,027,123	695,846	—	1,722,969
Furniture and fixtures	<u>2,028,074</u>	<u>1,355,032</u>	—	<u>3,383,106</u>
Total accumulated depreciation	<u>5,710,091</u>	<u>3,823,446</u>	—	<u>9,533,537</u>
Total capital assets, being depreciated, net	<u>75,390,908</u>	<u>(3,754,453)</u>	—	<u>71,636,455</u>
Convention Center Hotel Fund capital assets, net	<u>\$ 75,889,274</u>	<u>(3,754,453)</u>	—	<u>72,134,821</u>

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2006



	<u>Beginning balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balances</u>
Parking Facilities Fund:				
Capital assets, not being depreciated:				
Land	\$ 2,473,344	—	—	2,473,344
Construction in progress	2,222,110	336,306	1,312,155	1,246,261
Total capital assets, not being depreciated	<u>4,695,454</u>	<u>336,306</u>	<u>1,312,155</u>	<u>3,719,605</u>
Capital assets, being depreciated:				
Leased buildings	53,574,983	1,312,155	—	54,887,138
Buildings	4,567,229	—	—	4,567,229
Total capital assets, being depreciated	<u>58,142,212</u>	<u>1,312,155</u>	<u>—</u>	<u>59,454,367</u>
Less accumulated depreciation for:				
Leased buildings	11,822,567	2,711,607	—	14,534,174
Buildings	3,782,398	14,111	—	3,796,509
Total accumulated depreciation	<u>15,604,965</u>	<u>2,725,718</u>	<u>—</u>	<u>18,330,683</u>
Total capital assets, being depreciated, net	<u>42,537,247</u>	<u>(1,413,563)</u>	<u>—</u>	<u>41,123,684</u>
Parking Facilities Fund capital assets, net	<u>\$ 47,232,701</u>	<u>(1,077,257)</u>	<u>1,312,155</u>	<u>44,843,289</u>

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2006



	<u>Beginning balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balances</u>
Sewer Revenue Fund:				
Capital assets, not being depreciated:				
Land	\$ 1,306,857	910,003	—	2,216,860
Construction in progress	<u>40,469,936</u>	<u>17,780,194</u>	<u>22,527,912</u>	<u>35,722,218</u>
Total capital assets, not being depreciated	<u>41,776,793</u>	<u>18,690,197</u>	<u>22,527,912</u>	<u>37,939,078</u>
Capital assets, being depreciated:				
Utility plant	486,909,853	31,040,058	—	517,949,911
Machinery and equipment	<u>14,441,087</u>	<u>693,475</u>	<u>—</u>	<u>15,134,562</u>
Total capital assets, being depreciated	<u>501,350,940</u>	<u>31,733,533</u>	<u>—</u>	<u>533,084,473</u>
Less accumulated depreciation for:				
Utility plant	210,065,025	12,721,166	—	222,786,191
Machinery and equipment	<u>12,257,319</u>	<u>453,944</u>	<u>—</u>	<u>12,711,263</u>
Total accumulated depreciation	<u>222,322,344</u>	<u>13,175,110</u>	<u>—</u>	<u>235,497,454</u>
Total capital assets, being depreciated, net	<u>279,028,596</u>	<u>18,558,423</u>	<u>—</u>	<u>297,587,019</u>
Sewer Revenue Fund capital assets, net	<u>\$ 320,805,389</u>	<u>37,248,620</u>	<u>22,527,912</u>	<u>335,526,097</u>

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2006



	<u>Beginning balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balances</u>
Nonmajor Enterprise Funds:				
Capital assets, not being depreciated:				
Construction in progress	\$ —	485,924	—	485,924
Capital assets, being depreciated:				
Buildings and systems	8,646,841	7,609	—	8,654,450
Machinery and equipment	2,815,012	214,567	—	3,029,579
Total capital assets, being depreciated	<u>11,461,853</u>	<u>222,176</u>	<u>—</u>	<u>11,684,029</u>
Less accumulated depreciation for:				
Building and systems	3,280,516	112,501	—	3,393,017
Machinery and equipment	2,244,277	310,378	—	2,554,655
Total accumulated depreciation	<u>5,524,793</u>	<u>422,879</u>	<u>—</u>	<u>5,947,672</u>
Nonmajor Enterprise capital assets, net	<u>\$ 5,937,060</u>	<u>285,221</u>	<u>—</u>	<u>6,222,281</u>

**MECA**

At June 30, 2006, property and equipment and accumulated depreciation for MECA are as follows:

	<u>Balance July 1, 2005</u>	<u>Additions Transfers In</u>	<u>Disposals Transfers Out</u>	<u>Balance June 30, 2006</u>
Leasehold improvements	\$ 44,191	14,341	—	58,532
Furniture, fixtures, and equipment	4,752,025	196,491	—	4,948,516
Building rights	10,079,196	—	—	10,079,196
Construction in progress	153,500	1,995,676	—	2,149,176
	<u>15,028,912</u>	<u>2,206,508</u>	<u>—</u>	<u>17,235,420</u>
Accumulated depreciation and amortization	<u>(2,096,294)</u>	<u>(1,121,442)</u>	<u>—</u>	<u>(3,217,736)</u>
	<u>\$ 12,932,618</u>	<u>1,085,066</u>	<u>—</u>	<u>14,017,684</u>

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2006



**(11) Fund Deficits**

Fund deficits exist in the following funds:

Major Enterprise Funds:	
Parking Facilities	\$ 4,388,007
Convention Center Hotel	20,957,179
Nonmajor Enterprise Fund:	
Printing and Graphics	245,025
Nonmajor Capital Projects Funds:	
Environmental Bond	5,302
Highway Bond	356,683
Cuming Street Improvement	729,160
Park and Recreation Bond	71,981
Union Pacific Redevelopment	7,157
Missouri River Pedestrian Bridge	3,023,390
Back to the River Project	218,980
University of Nebraska Medical Center Improvement	656,681
Capital Special Assessment	865,738
Wilson Business Park	478,355
Airport Business Park Development	1,109,521
South Omaha Library Construction	447,053
Nonmajor Special Revenue Funds:	
Park Development	2,844,939
Emergency Shelter Grant	47,372
Nebraska Affordable Housing Trust	152,862
Local Law Enforcement Block Grant	80,813
Lead-Based Paint Hazard Grant	61,346
School Related Grant	1,743
COPS Hiring Grants	230,199
Metro Drug Task Force Grants	96,026
Comprehensive Communities Program	190,987
COPS More Equipment Grant	1,887,195
COPS Phase One Grant	7,675
Juvenile Detention Grant	88,061
Fire Department Grants	502,955
Home Program Grant	888,468
Community Development Block Grant	1,767,832
EPA Administration Grants	40,852
Supportive Housing Grant	273,350
Economic Development Incentive Grant	6,269
Neighborhood Initiative Grant	382,492
Federal Fire Grant	32,758

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2006



The fund deficits will be eliminated through collection of special assessments, operating transfers from other funds, collection of deferred revenues and issuance of lease purchase, redevelopment and general obligation debt in 2007.

The Parking Facilities Fund was established as a tool to manage the City’s eight parking structures and various surface lots throughout the City. Lease purchase debt has been issued to finance the construction of the parking structures. Annual appropriations from the City’s General Fund to subsidize the payment of this debt will eliminate this deficit.

The Convention Center Hotel began operations in April 2004. It is hoped that future operations of the hotel will eliminate this deficit. Annual appropriations from the City will subsidize any debt service shortfall.

The deficit in the Printing and Graphics Fund will be eliminated by annual fee increases.

The elimination of fund deficits in the Nonmajor Capital Projects Funds will be accomplished primarily by the issuance of debt in 2007 and the receipt of deferred revenues. The collection of special assessments and fund transfers will eliminate the deficit in the Capital Special Assessment Fund.

The Park Development Fund’s deficit is a result of the acquisition of two large land purchases. These sites are outside of the City and have been selected as future regional parks. A park development fee has been established, which will be collected from neighboring Sanitary Improvement Districts to fund these acquisitions. The other Nonmajor Special Revenue Fund deficits will be eliminated upon collection of deferred revenues from the sponsoring grantor agency.

**(12) Postretirement Healthcare Benefits**

In addition to providing the pension benefits described in note 9, the City provides health insurance coverage, in accordance with the City’s Municipal Code and the City’s contracts, with the Omaha Police Union Local No. 101, the Professional Firefighters Association of Omaha Local No. 385, the Omaha City Employees Local No. 251, and other classified civilian and sworn employees. Currently, 1,208 individuals meet these eligibility requirements. The cost of health insurance coverage is recognized as an expense as claims are paid. For 2006, these costs were approximately \$11,780,000.

**(13) Self-insurance**

It is the policy of the City not to purchase commercial insurance for the risks of losses to which it is exposed. Instead, the City management believes it is more economical to manage its risks internally and set aside assets for claim settlement in the General Fund. This fund services all claims for risk of loss to which the City is exposed, including general liability, property, and casualty up to \$100,000 per occurrence; workers’ compensation; employee health and accident; environmental; and antitrust. Changes in the balance of claims liabilities during the fiscal years 2006 and 2005 are as follows:

	<u>Beginning of year liability</u>	<u>Current year claims</u>	<u>Claim payments</u>	<u>End of year liability</u>
2006	\$ 21,270,550	26,852,829	34,869,866	13,253,513
2005	17,153,307	37,516,256	33,399,013	21,270,550

# CITY OF OMAHA, NEBRASKA

## Notes to Financial Statements

December 31, 2006



### (14) Commitments

The City is a defendant in a number of lawsuits in its normal course of operations. In addition to the \$3,411,000 recorded by the City as claims and judgments payable, the City Attorney is of the opinion that there is a possibility that the City will incur additional losses on these lawsuits of approximately \$3.9 million.

The City participates in a number of federally assisted grant programs, principally Federal Highway Construction Grants, Community Development Block Grant, Workforce Investment Act, and other local improvement programs. The programs are subject to financial and compliance audits. The amount of expenditures, if any, that may be disallowed by granting agencies is not determinable at this time; however, City management does not believe that such amounts, if any, would be significant.

MECA entered into a long term contract for food service operations in November 2001. The terms of the contract commit MECA to a 10 year annual fixed payment to the contractor of \$600,000 beginning in September 2003. There are incentive provisions in the contract that may result in additional payments to the contractor. Such incentives totaled \$150,000 for the year ended June 30, 2006 and 2005. In addition, MECA is committed to reimburse the contractor for preopening expenses of \$324,300 over a three year period beginning October 2003. At June 30, 2006, a liability of \$24,034 remains for preopening expenses and is reflected in other liabilities (current and long term) in the accompanying statement of net assets.

### (15) Subsequent Events

#### **Annexation of the City of Elkhorn**

Finalizing a two year legal challenge by the City of Elkhorn (Elkhorn), the Nebraska Supreme Court issued a ruling upholding the City's annexation of Elkhorn. On March 1, 2007, the annexation of the Elkhorn by the City became official. The annexation package included Elkhorn, five Douglas County sanitary improvement districts (SID) and some unincorporated property. The annexed area is located west and northwest of the City's existing boundary. The annexation of Elkhorn and the five SIDs adds approximately 10,000 people to the City. The future population of this area is expected to grow to between 60,000 to 70,000 people. The annexation also extends the City's three-mile planning jurisdiction by 24,481.80 acres, giving the City more control over the growth and development along its edges.

In terms of physical infrastructure, the annexation of Elkhorn and the five SIDs will add one library and one community center. The City's total lane miles will increase by 136.59 and linear miles will grow by 68.3. Elkhorn had one wastewater treatment plant constructed in the last 15 years and an estimated 150,000 feet of sanitary sewer mains. The Elkhorn Parks Department maintained three city parks and the Elkhorn Swimming Pool, all of which will now be taken care of by the City. Additional parks added to the City from the SIDs include 3.88 acres in Fire Ridge, 2.04 acres in Centennial, and 2.62 acres in Pacific Pines.

Elkhorn's total net assets annexed amounted to \$15.8 million. The aggregate 2006 valuation of the annexed area is approximately \$840 million and the net debt assumed by the City is \$28.7 million.

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2006



**Refinancing Convention Center Hotel Debt**

On May 15, 2007, the City issued Convention Center Hotel Revenue Bonds in the amount of \$109,750,000 of Refunding Bonds bearing interest at 4.61%. Bond proceeds will be used to refund previously issued bonds that funded the convention center hotel. Present value savings as a result of this transaction are projected at \$13.7 million. The loan provides for annual principal payments ranging from \$0 to \$17,120,000 and semiannual interest payments each February 1 and August 1 through 2035.

**REQUIRED SUPPLEMENTARY INFORMATION**  
(Other than MD&A)

**CITY OF OMAHA, NEBRASKA**  
 Schedule of Revenues, Expenditures, and  
 Changes in Fund Balances – Budget and Actual – General Fund  
 Year ended December 31, 2006

Schedule



	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Property tax	\$ 52,242,954	52,242,954	52,205,484	(37,470)
Motor vehicle taxes	9,081,400	9,081,400	8,818,011	(263,389)
City sales and use tax	117,117,201	117,117,201	113,633,982	(3,483,219)
Business taxes	29,634,895	29,634,895	28,781,008	(853,887)
Licenses and permits	8,800,811	8,800,811	8,216,565	(584,246)
Intergovernmental revenues	7,757,200	7,757,200	8,388,815	631,615
Charges for services	16,955,899	16,955,899	16,285,001	(670,898)
Interest income	2,018,905	2,018,905	4,170,840	2,151,935
Rent and royalties	—	—	159,665	159,665
Miscellaneous	1,163,200	1,163,200	1,189,362	26,162
Total revenues	<u>244,772,465</u>	<u>244,772,465</u>	<u>241,848,733</u>	<u>(2,923,732)</u>
Expenditures:				
General government:				
Mayor's office	951,519	951,519	913,229	38,290
City clerks	619,201	619,201	598,371	20,830
City council	958,320	958,320	946,760	11,560
Law	3,231,677	3,231,677	3,167,412	64,265
Human resources	1,693,043	1,693,043	1,622,480	70,563
Human rights and relations	803,907	803,907	700,166	103,741
Finance	2,425,737	2,425,737	2,340,491	85,246
Planning	5,358,880	5,358,880	5,115,735	243,145
Employee benefits	18,852,699	18,852,699	16,372,920	2,479,779
Other agencies	24,970,777	24,970,777	23,083,677	1,887,100
Total general government	<u>59,865,760</u>	<u>59,865,760</u>	<u>54,861,241</u>	<u>5,004,519</u>
Public safety:				
Fire	63,670,372	63,670,372	65,557,730	(1,887,358)
Police	87,222,525	87,222,525	85,732,138	1,490,387
Total public safety	<u>150,892,897</u>	<u>150,892,897</u>	<u>151,289,868</u>	<u>(396,971)</u>
Public works:				
Environmental	12,781,404	12,781,404	11,797,432	983,972
Street and highway	1,895,014	1,895,014	2,430,394	(535,380)
Total public works	<u>14,676,418</u>	<u>14,676,418</u>	<u>14,227,826</u>	<u>448,592</u>
Culture and recreation:				
Parks and recreation	14,907,520	14,907,520	14,899,544	7,976
Libraries	7,938,606	7,938,606	7,600,999	337,607
Convention & Tourism	255,600	255,600	255,600	—
Total culture and recreation	<u>23,101,726</u>	<u>23,101,726</u>	<u>22,756,143</u>	<u>345,583</u>
Total expenditures	<u>248,536,801</u>	<u>248,536,801</u>	<u>243,135,078</u>	<u>(5,401,723)</u>
(Deficiency) excess of revenues over expenditures	<u>(3,764,336)</u>	<u>(3,764,336)</u>	<u>(1,286,345)</u>	<u>2,477,991</u>
Net changes in fund balances	<u>(3,764,336)</u>	<u>(3,764,336)</u>	<u>(1,286,345)</u>	<u>2,477,991</u>
Fund balances – beginning of year:	3,764,336	3,764,336	6,406,811	2,642,475
Lapsed encumbrances	—	—	682,684	682,684
Transfer – Contingency Liability Fund	—	—	(500,000)	(500,000)
Fund balances – end of year	<u>\$ —</u>	<u>—</u>	<u>5,303,150</u>	<u>5,303,150</u>

See accompanying notes to schedule of revenues, expenditures, and changes in fund balances—budget and actual—General Fund.

## CITY OF OMAHA, NEBRASKA

### Notes to Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual—General Fund

Year ended December 31, 2006



#### (1) **Budget and Budgetary Accounting**

The Mayor is required by the City Charter to prepare and submit an annual budget to the City Council. A budget is prepared for the General Fund and all Special Revenue Funds, exclusive of all grant funds and the service-type special assessments fund. These budgets are prepared primarily on a cash basis for revenues and modified accrual basis for expenditures. The budget presented reflects the original budget and the revised budget prior to the closing ordinance. In addition, encumbrances are reported as expenditures for budgetary purposes. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded as encumbrances in order to reserve a portion of the applicable appropriation.

The legal level of control (the level on which expenditures may not legally exceed appropriations) is at the fund level. Budgetary control is maintained by department/division and by the following category of expenditures: personnel services, nonpersonnel services, capital outlay, and debt service. All budget amendments must be approved by the Mayor and/or City Council. Unencumbered appropriations lapse at the end of the fiscal year. Encumbered funds are carried over to the ensuing fiscal year until utilized or canceled.

The City Charter also requires the City Council each year to make an ad valorem tax levy for a sinking fund (Debt Service Fund) that shall provide for principal and interest payments on the general obligation bonded indebtedness of the City.

Appropriations for certain Special Revenue Funds and Capital Projects Funds are controlled on a project basis and are carried forward each year until the project is completed or grant funds are expended.

Budgets are also prepared for the proprietary funds as a management control device. The budgets for these funds are prepared on a revenue and expenditure basis similar to the budgets for the governmental fund types.

#### (2) **Reconciliation of Budget-Basis Revenues and Expenditures to GAAP**

Revenue and expenditures presented on a non-GAAP budget basis of accounting differ from the revenues and expenditures presented in accordance with GAAP because of the different treatment of encumbrances and accruals (revenue recognition).

In addition, Section 5.14 of the City of Omaha's Home Rule Charter requires, in relevant part, that the year-end General Fund balance "...be applied as General Fund revenue in the budget for the fiscal year two years subsequent to that fiscal year." Therefore, the amount of the General Fund carryover coming into a particular fiscal year has already been determined. Any General Fund encumbrances at the end of a fiscal year are not included in the year-end General Fund balance because those encumbrances will normally need to be paid in the following fiscal year and cannot be held until the fiscal year two years subsequent to the fiscal year when the encumbrance was incurred.

**CITY OF OMAHA, NEBRASKA**

Notes to Schedule of Revenues, Expenditures,  
and Changes in Fund Balances—Budget and Actual—General Fund

Year ended December 31, 2006



All General Fund encumbrances are charged to the appropriate accounts at the end of the fiscal year. This allows those funds to be kept separate from the year-end General Fund balance. Therefore, when the actual payments to the vendors are required in the following fiscal year, there are General Fund moneys available. A reconciliation of the differences between the budgetary versus GAAP is presented below:

	<u>General fund</u>
Budget basis:	
2005 carryover to 2007	\$ 2,643,828
2006 carryover to 2008	<u>2,659,322</u>
Total budget basis	5,303,150
Basis differences:	
Taxes accrued	22,304,678
Accrued interest	807,900
Encumbrances	3,909,163
Inventories	<u>583,187</u>
GAAP basis	\$ <u><u>32,908,078</u></u>

**(3) Expenditures in Excess of Budget**

Budgeted expenditures were exceeded in the following departments/divisions:

<u>Department/division</u>	<u>Amount</u>
General fund:	
Public safety:	
Fire	\$ (1,887,358)
Public works:	
Street and highway	(535,380)

**CITY OF OMAHA, NEBRASKA**

Schedule of Funding Progress  
Year ended December 31, 2006



The information presented in the required supplementary information was determined as part of the actuarial valuations at the dates indicated.

**Civilian Plan Schedule of Funding Progress and  
Six-year Trend Information**

**REQUIRED SUPPLEMENTARY INFORMATION  
Schedule of Funding Progress (Unaudited)**

(Dollar amounts in millions)

<u>Actuarial valuation date</u>	<u>Actuarial value of assets (a)</u>	<u>Actuarial accrued liability (AAL) entry age * (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded ratio (a/b)</u>	<u>Covered payroll (c)</u>	<u>UAAL as a percentage of covered payroll ((b-a)/c)</u>
2006	\$ 292.0	361.7	69.7	80.7%	\$ 48.2	144.6%
2005	277.1	352.0	74.9	78.7%	53.4	140.3%
2004	270.8	327.9	57.1	82.6%	53.2	107.3%
2003	250.1	316.7	66.6	79.0%	54.9	121.3%
2002	217.1	296.9	79.8	73.1%	55.4	144.0%
2001	234.8	244.3	9.5	96.1%	56.4	16.8%

\* Prior to 2005, this amount was based on the projected unit credit method. Starting in 2005, the entry age normal method is used.

**REQUIRED SUPPLEMENTARY INFORMATION  
Six-year Trend Information (Unaudited)**

<u>Fiscal year ended</u>	<u>Annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation</u>
2006	\$ 6,135,462	67%	\$ (10,090,703)
2005	6,822,028	65	(8,100,275)
2004	6,815,746	65	(5,778,439)
2003	6,176,321	70	(3,411,896)
2002	6,255,127	58	(1,585,196)
2001	3,264,816	105	1,016,227

**CITY OF OMAHA, NEBRASKA**

Schedule of Funding Progress  
Year ended December 31, 2006



**Uniformed Plan Schedule of Funding Progress and  
Six-year Trend Information**

**REQUIRED SUPPLEMENTARY INFORMATION  
Schedule of Funding Progress (Unaudited)**

(Dollar amounts in millions)

<u>Actuarial valuation date</u>	<u>Actuarial value of assets (a)</u>	<u>Actuarial liability (AAL) entry age * (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded ratio (a/b)</u>	<u>Covered payroll (c)</u>	<u>UAAL as a percentage of covered payroll ((b-a)/c)</u>
2006	\$ 507.6	801.1	293.5	63.4%	\$ 91.7	320.1%
2005	453.3	703.8	250.5	64.4%	86.8	288.6%
2004	420.3	543.9	123.6	77.3%	82.1	150.5%
2003	383.7	511.9	128.2	75.0%	85.1	150.6%
2002	314.1	481.6	167.5	65.2%	79.7	210.2%
2001	350.4	452.3	101.9	77.5%	76.7	132.9%

\* Prior to 2005, this amount was based on the projected unit credit method. Starting in 2005, the entry age normal method is used.

**REQUIRED SUPPLEMENTARY INFORMATION  
Six-year Trend Information**

(Unaudited)

<u>Fiscal year ended</u>	<u>Annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation</u>
2006	\$ 30,917,700	65%	\$ (31,630,196)
2005	26,145,454	78	(20,884,106)
2004	22,487,399	75	(12,500,861)
2003	23,323,354	74	(6,788,891)
2002	15,366,335	99	(746,110)
2001	11,626,255	120	(701,976)