



**CITY OF OMAHA, NEBRASKA**

Basic Financial Statements

December 31, 2005

(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, 2005, 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, 2005, 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.

As described in note 1c, the City adopted Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures, an Amendment to GASB Statement No. 3*.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 9, 2006 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 69 through 71, and the Schedules of Funding Progress on pages 72 and 73 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

KPMG LLP

Omaha, Nebraska  
October 9, 2006

**CITY OF OMAHA, NEBRASKA**  
Management's Discussion and Analysis  
Year ended December 31, 2005  
(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, 2005. 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 2005**

- The assets of the City, on a government-wide basis excluding component units, exceeded its liabilities at the close of fiscal year 2005 by \$576.1 million (net assets). Of this amount, \$77.6 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 \$22.4 million from the prior year. Of this amount, \$29.2 million was an increase in governmental activities and \$6.8 million was a decrease in business-type activities. The decrease in net assets related to business-type activities is primarily attributable to the operating and nonoperating loss of the Convention Center Hotel in the amount of \$6.8 million.
- As of December 31, 2005, the City's governmental funds reported combined ending fund balances of \$119.1 million, an increase of \$20 million in comparison with the prior year. This increase is mainly attributed to the November sale of General Obligation Bonds (\$42.8 million). Proceeds from this sale will fund the City's Capital Improvement Program for two years and fund construction of the City's Public Facility Training Center. Of this fund balance, approximately 56%, or \$66.7 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 \$2.8 million. Revenues exceeding budget and lapsed encumbrances in the amount of \$4.2 million were offset by expenditures exceeding budget and year-end transfers in the amount of \$0.5 million.
- At the end of the current fiscal year, the unreserved fund balance for the general fund was \$29.2 million, or 13% of general fund expenditures.
- The City issued \$14.9 million of lease purchase refunding bonds during the year in order to refund \$14.1 million of lease purchase bonds. The refunding was undertaken to reduce total debt service payments over the next 16 years by \$907,778 and resulted in an economic gain of \$876,284.

**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.

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.

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- 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- 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.

The City's financial statements present two kinds of statements, each with a different snapshot of the City's finances. The government-wide financial statements provide both long-term and short-term information about the City's overall financial status. The fund financial statements focus on the individual parts of the City government, reporting the City's operations in more detail than the government-wide statements. Both perspectives (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparisons (year-to-year or government-to-government), and enhance the City's accountability.

### **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:

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**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.

**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. 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. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided on a subsequent page that explains the relationship (or differences) between the government-wide and fund statements.

The basic governmental fund financial statements can be found on pages 17 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.

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**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. 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 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 65 of this report.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's 2005 budget information. Required supplementary information can be found on pages 69 through 73 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 \$576.1 million at the close of fiscal year 2005. By far, the largest portion of the City's net assets (85%) reflects its investment in capital assets (e.g., land, building, equipment, 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	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 249	223	28	36	277	259
Capital assets	824	793	450	440	1,274	1,233
Total assets	<u>\$ 1,073</u>	<u>1,016</u>	<u>478</u>	<u>476</u>	<u>1,551</u>	<u>1,492</u>
Current and other liabilities	\$ 33	33	7	5	40	38
Long-term liabilities	733	704	202	196	935	900
Total liabilities	<u>766</u>	<u>737</u>	<u>209</u>	<u>201</u>	<u>975</u>	<u>938</u>
Net assets:						
Invested in capital assets net of related debt	214	202	262	271	476	473
Restricted net assets	12	12	10	—	22	12
Unrestricted net assets	81	65	(3)	4	78	69
Total net assets	<u>307</u>	<u>279</u>	<u>269</u>	<u>275</u>	<u>576</u>	<u>554</u>
Total liabilities and net assets	<u>\$ 1,073</u>	<u>1,016</u>	<u>478</u>	<u>476</u>	<u>1,551</u>	<u>1,492</u>

Approximately 4%, or \$22 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, 14% or \$78 million, may be used to meet the government's ongoing obligations to citizens and creditors.

At December 31, 2005, the City is able to report positive balances in all three categories of net assets for the government as a whole. The business-type activities' unrestricted net assets reported a negative balance primarily due to the Convention Center Hotel Fund and the Parking Facilities Fund.

**Governmental Activities**

Governmental activities increased the City's net assets by \$29 million as shown on the Statement of Activities, accounting for 100% of the total growth in the net assets of the City. This increase was largely due to capital grants and contributions supporting the transportation function, which includes roads. Included in this category are several street projects, with \$12.3 million being donated by the State of Nebraska and \$6.2 million being donated by private developers.

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**Business-type Activities**

The net assets of the City's business-type activities decreased from approximately \$275 million to \$269 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 \$6.8 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	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 54.4	60.4	47.6	43.4	102.0	103.8
Operating grants and contributions	58.2	58.6	—	—	58.2	58.6
Capital grants and contributions	32.1	20.4	5.8	3.0	37.9	23.4
General revenues:						
Sales and use tax	114.2	111.0	—	—	114.2	111.0
Property tax	94.3	101.4	—	—	94.3	101.4
Other taxes	41.4	39.9	—	—	41.4	39.9
Unrestricted investment earnings	2.3	2.3	0.6	0.1	2.9	2.4
Other	1.8	1.1	—	—	1.8	1.1
Total revenues	<u>398.7</u>	<u>395.1</u>	<u>54.0</u>	<u>46.5</u>	<u>452.7</u>	<u>441.6</u>
Expenses:						
General government	43.6	62.0	—	—	43.6	62.0
Public safety	172.2	161.5	—	—	172.2	161.5
Transportation services	44.6	47.5	—	—	44.6	47.5
Other public services	14.2	14.1	—	—	14.2	14.1
Community development	27.6	29.3	—	—	27.6	29.3
Culture and parks	34.0	62.7	—	—	34.0	62.7
Interest on long-term debt	32.3	24.2	—	—	32.3	24.2
Convention Center Hotel	—	—	12.0	11.4	12.0	11.4
Sewage treatment	—	—	38.1	35.2	38.1	35.2
Other	—	—	11.8	10.8	11.8	10.8
Total expenses	<u>368.5</u>	<u>401.3</u>	<u>61.9</u>	<u>57.4</u>	<u>430.4</u>	<u>458.7</u>
Increase (decrease) in net assets before transfers	30.2	(6.2)	(7.9)	(10.9)	22.3	(17.1)
Transfers	(1.1)	(0.1)	1.1	0.1	—	—
Increase (decrease) in net assets	29.1	(6.3)	(6.8)	(10.8)	22.3	(17.1)
Net assets at beginning of year	278.6	284.9	275.2	286.0	553.8	570.9
Net assets at end 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>

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**Governmental Activities**

The City's total revenues from governmental activities were \$398.7 million for the fiscal year ended December 31, 2005. The largest source of revenue (\$114.2 million for fiscal year 2005) for the City is sales and use tax. Net sales and use tax increased by \$ 3.2 million (2.9%) during 2005.

In 2005, property tax revenue decreased by \$7.1 million when compared to 2004. In 2004, the City issued \$11.3 million of tax allocation revenue bonds. This one-time sale of the property tax revenue stream accounts for the 2005 decrease. The City has maintained the same real estate tax rate (43.387 per \$100 of assessed value) since 2002. Property tax valuations increased 3.75% in 2005.

The City's expenses for governmental activities cover a wide range of services, with 47%, or \$172.2 million, for fiscal 2005 related to public safety and 12%, or \$43.6 million, for fiscal 2005 for general government. Overall, expenses for governmental activities decreased by 8% or \$32.8 million in 2005, which can be largely attributed to several one-time transactions that took place in 2004. The City contributed \$15.9 million to the construction of a new Performing Arts Center and \$3.7 million of Tax Allocation Revenue to the development of Riverfront Business Park. Also accounting for the 2005 reduction, liabilities assumed from annexed areas in 2004 were \$2.2 million more in 2004 than 2005.

**Business-type Activities**

Net assets of the City's business-type activities decreased by \$6.8 million largely as a result of the losses incurred by the following enterprise funds:

<u>Fund</u>	<u>Amount</u>
Convention Center Hotel	\$ 6,811,049
Parking Facilities	66,644
Tennis Revenue	148,254
Golf Operations	716,630
Compost Revenue	22,794
Air Quality Revenue	114,631
Printing and Graphics	17,486
Riverfront Plaza Revenue	21,807

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

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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.

### **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, 2005, the governmental funds reported combined ending fund balances of \$119.1 million, an increase of \$20 million in comparison with the prior year. This increase is mainly attributed to the sale of General Obligation Bonds (\$42.8 million) in the fourth quarter of 2005 of which \$17.5 million remained in the construction account's fund balance at year-end. An increase in the General Fund's 2005 fund balance (\$2.9 million) also contributed to this increase.

Approximately 56%, or \$ 66.7 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 (\$21.2 million)
- Pay debt service (\$27.8 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, 2005, not designated for a specific purpose, was \$29.2 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 13% 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 \$2.9 million for fiscal year 2005. Key factors that contributed to this increase were stronger than expected revenues and cancelation of prior year encumbrances. For budgeting purposes only, the 2004 and 2005 budget surpluses of \$3.8 million and \$2.6 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.

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Net assets of the Convention Center Hotel Fund, Parking Facilities Fund, Sewer Revenue Fund, and other enterprise funds amounted to \$(16.4) million, \$(2.9) million, \$282.9 million, and \$4.8 million, respectively, at December 31, 2005. The Convention Center Hotel opened in April 2004. Additional discussion concerning the finances of these funds has already been addressed in the discussion of the City's business-type activities.

**General Fund Budgetary Highlights**

	<b>General Fund December 31, 2005</b>		
	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>
Revenues:			
Taxes	\$ 196.5	196.5	198.6
Intergovernmental	7.7	7.7	10.0
Other	27.9	27.9	26.9
Total	232.1	232.1	235.5
Expenditures, lapsed encumbrances, and transfers	232.1	232.1	232.9
Total	232.1	232.1	232.9
Changes in fund balance	\$ —	—	2.6

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 2005 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 \$0.9 million above budget.
- Property tax collections were \$1.4 million, or 2.9% above budget.
- In lieu of tax was above the budget by \$2.2 million due to an additional payment by the Metropolitan Utilities District following an audit of prior years' payments.
- Utility occupation taxes were \$1.4 million below budget.
- Charges for services were \$0.9 million below budget.
- The Mayor's Office, City Clerk, Human Resources, Fire, Library, and Public Works Departments, collectively, were \$1.0 million below budget.

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- The City Council, Law, Human Rights and Relations, Finance, Planning, Parks, Recreation and Public Property, and Police Departments were \$2.8 million above budget due largely to the payoff of retiree's accumulated leave and benefits being higher than anticipated.
- Outside agency costs were \$1.6 million above budget. Included in this category are county jail expenses, the 911 communications agency, and several community service programs.
- Retiree benefits were \$2.5 million below budget.

**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, 2005 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 3.2% (an increase of 3.8% for governmental activities and an increase of 2.2% for business-type activities).

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

(in millions)

	Governmental activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 123.1	120.1	3.8	3.8	126.9	123.9
Cultural assets	5.8	5.8	0.5	0.5	6.3	6.3
Construction in progress	36.8	48.3	42.7	43.2	79.5	91.5
Buildings	332.8	319.1	351.2	338.2	684.0	657.3
Machinery and equipment	19.0	20.4	9.9	11.7	28.9	32.1
Infrastructure	266.0	237.9	—	—	266.0	237.9
Lease purchases	40.1	41.7	41.7	42.9	81.8	84.6
Total	\$ 823.6	793.3	449.8	440.3	1,273.4	1,233.6

Major capital asset events during 2005 included the following:

- Construction continued on the Harrison Street Project; current year expenditures were \$2.9 million.
- Construction continued on the Cuming Street Improvement Project; current year expenditures were \$4.2 million.
- Construction continued on the City's sewer system with capital outlays of \$18.1 million.
- Construction continued on the West Dodge Street Project; current year expenditures were \$3.3 million.

**CITY OF OMAHA, NEBRASKA**  
Management's Discussion and Analysis  
Year ended December 31, 2005  
(Unaudited)



- Construction continues on the City's Public Safety Training Center; current year expenditures were \$3.0 million.
- The City purchased a building in Northwest Omaha for \$1.5 million, which will be utilized by the Police Department as a precinct station.
- Construction in progress citywide totaled \$79.5 million.
- Annual citywide depreciation expense for governmental activities in 2005 amounted to \$25.4 million.

Additional information on the City's capital assets can be found in note 10 of the notes to the financial statements on pages 60 through 65 of this report.

***Long-term Debt***

At December 31, 2005, the City of Omaha had total bonded debt outstanding of \$821.1 million (including notes payable). Of this amount, \$484.8 million is general obligation debt backed by the full faith and credit of the City; \$110.6 million of revenue bonds secured solely by specified revenue sources; \$80.9 million of special obligation bonds backed by a variety of revenue sources, including sales tax and property tax; \$39.5 million of special tax revenue bonds backed by a redevelopment property tax levy; \$84.0 million of lease purchase bonds backed by annual General Fund appropriations; and \$21.3 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	
	2005	2004	2005	2004	2005	2004
General obligation bonds	\$ 484.8	463.1	—	—	484.8	463.1
Revenue bonds	—	—	110.6	109.6	110.6	109.6
Special obligation bonds	60.0	60.6	20.9	21.3	80.9	81.9
Special tax revenue bonds	39.5	40.7	—	—	39.5	40.7
Lease purchase bonds	34.1	31.8	49.9	51.3	84.0	83.1
Notes payable	4.2	5.1	17.1	11.3	21.3	16.4
Total	\$ 622.6	601.3	198.5	193.5	821.1	794.8

During 2005, the City's total debt increased by \$26.3 million (3.3%). In 2005, the City of Omaha issued \$42.8 million of General Obligation Bonds. Of this issuance, \$15.6 million will finance the City's Public Safety Training Center. Notes payable financing of \$7.3 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, 2005  
(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 \$286.5 million.

Additional information on the City's long-term debt can be found in note 6 of the notes to the financial statements on pages 38 through 51 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 is estimated at 0.7% for 2006. Total growth, including revaluations of current property, is estimated at 3.6%.
- Sales tax collections have increased by 7.1% and 3.0%, respectively, over each of the past two years, with current collections through August 2006 also showing an increase over the same period in 2005 of 4.9%. Effective July 2006, the sales tax base has been reduced by the Nebraska Legislature to exclude the sales tax on home repair labor. The estimated reduction of 2007 revenue attributed to this change is \$1.5 million.
- The City's 2005 annexation package, which includes the City of Elkhorn, is currently being appealed to the Nebraska Supreme Court. Budgeted revenues and expenditures for 2007 attributed to the annexation package are projected to be \$11 million.
- Overall General Fund revenue growth for 2007 without annexation is projected at 1.76%.

All of these factors were considered in preparing the City's budget for the 2007 fiscal year.

During 2005, the unreserved fund balance in the General Fund was \$29.2 million. The City appropriated \$3.8 million of this amount for spending in the 2006 fiscal year budget. This amount represents the 2004 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, 2005



Assets	Primary government			Component unit
	Governmental activities	Business-type activities	Total	MECA
Cash and pooled investments	\$ 60,759,240	2,920,352	63,679,592	5,556,108
Investments	18,800,813	800,000	19,600,813	8,016,933
Receivables (net of allowance for uncollectibles)	112,135,786	404,214	112,540,000	298,092
Internal balances	1,375,752	(1,375,752)	—	—
Due from other governments	42,785,024	2,558,344	45,343,368	—
Accrued interest	570,569	—	570,569	—
Inventories	573,722	881,711	1,455,433	—
Deferred charges and other assets	5,765,794	7,092,664	12,858,458	244,927
Restricted assets:				
Deposits with trustee	6,932,101	14,096,744	21,028,845	—
Capital assets:				
Nondepreciable	165,790,212	46,970,613	212,760,825	153,500
Depreciable	657,778,751	402,893,811	1,060,672,562	12,779,118
Total assets	\$ 1,073,267,764	477,242,701	1,550,510,465	27,048,678
<b>Liabilities and Net Assets</b>				
Liabilities:				
Accounts payable and other	\$ 24,475,651	3,388,077	27,863,728	1,536,105
Accrued interest payable	6,659,879	3,401,759	10,061,638	—
Due to other governments	1,348,475	—	1,348,475	—
Unearned revenue	725,713	—	725,713	2,021,488
Long-term liabilities:				
Net pension obligation	27,340,968	1,643,413	28,984,381	—
Other liabilities	—	—	—	4,719,800
Compensated absences:				
Due within one year	2,290,790	85,639	2,376,429	—
Due in more than one year	43,525,011	1,627,159	45,152,170	—
Grant commitments:				
Due within one year	3,906,797	—	3,906,797	—
Due in more than one year	12,320,000	—	12,320,000	—
Claims and judgments:				
Due within one year	3,573,000	—	3,573,000	—
Workers' compensation and healthcare claims				
Due within one year	9,668,112	581,133	10,249,245	—
Due in more than one year	10,396,380	624,925	11,021,305	—
Bonds, notes, and leases payable				
Due within one year	28,955,146	3,877,776	32,832,922	469,991
Due in more than one year	590,336,279	193,628,869	783,965,148	10,108,860
Total liabilities	765,522,201	208,858,750	974,380,951	18,856,244
Net assets:				
Invested in capital assets, net of related debt	213,958,527	261,232,484	475,191,011	2,353,766
Restricted for:				
Debt service	—	10,135,739	10,135,739	—
Highway and streets	4,887,010	—	4,887,010	—
Perpetual care:				
Expendable	1,848	—	1,848	—
Nonexpendable	2,775,389	—	2,775,389	—
Community improvement and judgement:	5,499,474	—	5,499,474	—
Unrestricted	80,623,315	(2,984,272)	77,639,043	5,838,668
Total net assets	307,745,563	268,383,951	576,129,514	8,192,434
Total liabilities and net assets	\$ 1,073,267,764	477,242,701	1,550,510,465	27,048,678

See accompanying notes to financial statements.



CITY OF OMAHA, NEBRASKA

Balance Sheet

Governmental Funds

December 31, 2005



Assets	General	Debt Service Fund	Other governmental funds	Total governmental funds
Cash and cash equivalents	\$ —	18,747,644	42,011,596	60,759,240
Investments	13,841,984	—	4,958,829	18,800,813
Receivables, net of allowance for uncollectibles	62,050,597	38,520,365	11,564,824	112,135,786
Due from other funds	1,595,184	—	—	1,595,184
Due from other governments	23,783,710	168,408	18,832,906	42,785,024
Accrued interest	502,562	—	68,007	570,569
Inventories	573,722	—	—	573,722
Other assets	16,906	—	—	16,906
Restricted assets:				
Deposits with trustee	—	—	6,932,101	6,932,101
Total assets	<u>\$ 102,364,665</u>	<u>57,436,417</u>	<u>84,368,263</u>	<u>244,169,345</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable and other	\$ 17,745,914	24,045	6,705,692	24,475,651
Due to other funds	—	—	219,432	219,432
Due to other governments	1,348,475	—	—	1,348,475
Deferred revenue	50,497,244	38,520,365	10,044,240	99,061,849
Total liabilities	<u>69,591,633</u>	<u>38,544,410</u>	<u>16,969,364</u>	<u>125,105,407</u>
Fund balances:				
Reserved for:				
Encumbrances	2,977,261	—	18,219,246	21,196,507
Inventories	573,722	—	—	573,722
Debt service	—	18,892,007	8,894,508	27,786,515
Perpetual care	—	—	2,775,389	2,775,389
Unreserved, reported in:				
General fund	29,222,049	—	—	29,222,049
Special revenue funds	—	—	21,200,398	21,200,398
Capital projects funds	—	—	16,307,510	16,307,510
Permanent funds	—	—	1,848	1,848
Total fund balances	<u>32,773,032</u>	<u>18,892,007</u>	<u>67,398,899</u>	<u>119,063,938</u>
Total liabilities and fund balances	<u>\$ 102,364,665</u>	<u>57,436,417</u>	<u>84,368,263</u>	<u>244,169,345</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	\$ 823,568,963
Revenues earned during the current period are not available as resources and, therefore, are recognized as deferred revenue in the funds	98,336,136
Bond costs of issuance are capitalized at the government-wide level and amortized over the life of the related bonds	5,748,888
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	(738,972,362)
Net assets of governmental activities	<u>\$ 307,745,563</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, 2005



	<u>General</u>	<u>Debt Service Fund</u>	<u>Other governmental funds</u>	<u>Total governmental funds</u>
<b>Revenues:</b>				
Taxes:				
Property	\$ 49,049,726	35,631,565	4,660,133	89,341,424
Motor vehicle	9,030,957	—	—	9,030,957
City sales and use	114,184,544	—	—	114,184,544
Business	26,845,997	—	—	26,845,997
In lieu	5,494,659	74,594	6,339	5,575,592
Licenses and permits	8,248,962	—	—	8,248,962
Intergovernmental	3,467,046	997,550	42,935,007	47,399,603
Investment income	1,473,548	238,746	586,636	2,298,930
Revenue from Keno	—	—	6,209,779	6,209,779
Charges for services	15,616,713	2,347,735	20,505,197	38,469,645
Special assessments	—	—	337,734	337,734
Rents and royalties	1,222,963	—	1,264,959	2,487,922
Contributions and grants	—	18,021	31,772,156	31,790,177
<b>Total revenues</b>	<u>234,635,115</u>	<u>39,308,211</u>	<u>108,277,940</u>	<u>382,221,266</u>
<b>Expenditures:</b>				
Current:				
General government	24,099,326	938,454	5,399,335	30,437,115
Public safety	156,238,920	—	8,749,393	164,988,313
Transportation services	632,800	—	36,679,746	37,312,546
Other public services	12,930,974	—	997,789	13,928,763
Community development	5,825,106	—	21,855,397	27,680,503
Culture and parks	25,454,161	—	5,977,236	31,431,397
Debt service:				
Principal	1,549,390	21,150,000	3,225,894	25,925,284
Interest	3,765,643	21,883,212	5,437,489	31,086,344
Bond issuance costs	—	—	302,799	302,799
Capital outlay	763,738	—	46,984,764	47,748,502
<b>Total expenditures</b>	<u>231,260,058</u>	<u>43,971,666</u>	<u>135,609,842</u>	<u>410,841,566</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>3,375,057</u>	<u>(4,663,455)</u>	<u>(27,331,902)</u>	<u>(28,620,300)</u>
<b>Other financing sources (uses):</b>				
Transfers in	100,000	—	650,000	750,000
Transfers out	(600,000)	—	(1,262,967)	(1,862,967)
Proceeds from sale of bonds	—	—	47,369,296	47,369,296
Proceeds of refunding bonds	—	—	6,890,000	6,890,000
Proceeds from bond premium	—	—	543,236	543,236
Payment to refunded bond escrow agent	—	—	(6,935,000)	(6,935,000)
Sale of capital assets	—	—	1,877,271	1,877,271
<b>Total other financing sources (uses)</b>	<u>(500,000)</u>	<u>—</u>	<u>49,131,836</u>	<u>48,631,836</u>
<b>Net change in fund balances</b>	2,875,057	(4,663,455)	21,799,934	20,011,536
Fund balances—beginning of year	29,897,975	23,555,462	45,598,965	99,052,402
Fund balances—end of year	\$ <u>32,773,032</u>	<u>18,892,007</u>	<u>67,398,899</u>	<u>119,063,938</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, 2005

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

Net change in fund balances—total governmental funds	\$ 20,011,536
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.	30,335,484
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	6,642,463
The issuance of long-term debt (for example: 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.	(11,198,791)
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>(16,633,203)</u>
Change in net assets of governmental activities	<u>\$ 29,157,489</u>

See accompanying notes to financial statements.

CITY OF OMAHA, NEBRASKA

Statement of Fund Net Assets—  
Proprietary Funds

December 31, 2005



Assets	Convention Center Hotel	Parking Facilities	Sewer Revenue Fund	Other enterprise funds	Total proprietary funds
<b>Current assets:</b>					
Cash and cash equivalents	\$ 232,163	—	2,644,362	43,827	2,920,352
Investments	—	—	—	800,000	800,000
Accounts receivable (net of allowance for uncollectibles)	—	84,260	273,890	46,064	404,214
Due from other funds	—	—	219,432	—	219,432
Due from other governments	—	—	2,544,250	14,094	2,558,344
Inventories	—	—	878,711	3,000	881,711
Total current assets	<u>232,163</u>	<u>84,260</u>	<u>6,560,645</u>	<u>906,985</u>	<u>7,784,053</u>
<b>Noncurrent assets:</b>					
<b>Restricted assets:</b>					
Deposits with trustee	12,314,703	1,782,041	—	—	14,096,744
Deferred charges	6,541,022	307,442	244,200	—	7,092,664
Total noncurrent assets	<u>18,855,725</u>	<u>2,089,483</u>	<u>244,200</u>	<u>—</u>	<u>21,189,408</u>
<b>Capital assets:</b>					
Land	—	2,473,344	1,306,857	—	3,780,201
Buildings and systems	70,861,523	58,142,212	486,909,853	8,646,841	624,560,429
Furniture and fixtures	6,760,247	—	—	—	6,760,247
Machinery and equipment	3,479,229	—	14,441,087	2,815,012	20,735,328
Cultural assets	498,366	—	—	—	498,366
Construction in progress	—	2,222,110	40,469,936	—	42,692,046
	<u>81,599,365</u>	<u>62,837,666</u>	<u>543,127,733</u>	<u>11,461,853</u>	<u>699,026,617</u>
Less accumulated depreciation	<u>5,710,091</u>	<u>15,604,965</u>	<u>222,322,344</u>	<u>5,524,793</u>	<u>249,162,193</u>
Capital assets, net	<u>75,889,274</u>	<u>47,232,701</u>	<u>320,805,389</u>	<u>5,937,060</u>	<u>449,864,424</u>
Total noncurrent assets	<u>94,744,999</u>	<u>49,322,184</u>	<u>321,049,589</u>	<u>5,937,060</u>	<u>471,053,832</u>
Total assets	<u>\$ 94,977,162</u>	<u>49,406,444</u>	<u>327,610,234</u>	<u>6,844,045</u>	<u>478,837,885</u>
<b>Liabilities and Net Assets</b>					
<b>Current liabilities:</b>					
Accounts payable and other	\$ —	208,835	3,003,999	175,243	3,388,077
Current installments of long-term debt	115,000	1,450,000	2,172,776	140,000	3,877,776
Workers' compensation and healthcare claims	—	—	398,696	182,437	581,133
Accrued interest payable	2,178,964	750,831	465,368	6,596	3,401,759
Due to other funds	—	1,595,184	—	—	1,595,184
Compensated absences	—	1,494	59,559	24,586	85,639
Total current liabilities	<u>2,293,964</u>	<u>4,006,344</u>	<u>6,100,398</u>	<u>528,862</u>	<u>12,929,568</u>
<b>Noncurrent liabilities:</b>					
Long-term debt, excluding current installments	109,095,722	48,258,602	35,969,545	305,000	193,628,869
Pension obligation	—	—	1,127,492	515,921	1,643,413
Workers' compensation and healthcare claims	—	—	428,728	196,197	624,925
Compensated absences	—	28,391	1,131,631	467,137	1,627,159
Total noncurrent liabilities	<u>109,095,722</u>	<u>48,286,993</u>	<u>38,657,396</u>	<u>1,484,255</u>	<u>197,524,366</u>
Total liabilities	<u>111,389,686</u>	<u>52,293,337</u>	<u>44,757,794</u>	<u>2,013,117</u>	<u>210,453,934</u>
<b>Net assets:</b>					
Invested in capital assets, net of related debt	(26,780,426)	(386,418)	282,907,268	5,492,060	261,232,484
Restricted for debt service	10,135,739	—	—	—	10,135,739
Unrestricted	232,163	(2,500,475)	(54,828)	(661,132)	(2,984,272)
Total net assets	<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>
Total liabilities and net assets	<u>\$ 94,977,162</u>	<u>49,406,444</u>	<u>327,610,234</u>	<u>6,844,045</u>	<u>478,837,885</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, 2005



	<u>Convention Center Hotel</u>	<u>Parking Facilities</u>	<u>Sewer Revenue Fund</u>	<u>Other enterprise funds</u>	<u>Total proprietary funds</u>
Operating revenues:					
Charges for services	\$ 4,623,041	3,749,533	33,270,697	5,857,417	47,500,688
Total operating revenues	<u>4,623,041</u>	<u>3,749,533</u>	<u>33,270,697</u>	<u>5,857,417</u>	<u>47,500,688</u>
Operating expenses:					
Personal services	—	—	7,731,419	4,233,519	11,964,938
Outside services	112,020	—	7,937,280	382,863	8,432,163
Operation and maintenance	714,441	1,905,142	5,650,324	597,060	8,866,967
Cost of sales and services	—	—	2,196,072	980,705	3,176,777
Administration	285,153	—	—	187,150	472,303
Depreciation and amortization	3,811,110	2,692,913	13,044,240	467,943	20,016,206
Total operating expenses	<u>4,922,724</u>	<u>4,598,055</u>	<u>36,559,335</u>	<u>6,849,240</u>	<u>52,929,354</u>
Operating loss	<u>(299,683)</u>	<u>(848,522)</u>	<u>(3,288,638)</u>	<u>(991,823)</u>	<u>(5,428,666)</u>
Nonoperating revenues (expenses):					
Investment earnings	574,107	46,061	9,000	28,823	657,991
Miscellaneous rent and royalties	—	—	58,041	—	58,041
Interest expense	(7,085,473)	(338,036)	(1,525,046)	(22,568)	(8,971,123)
Gain on sale of fixed assets	—	—	2,761	—	2,761
Total nonoperating revenues (expenses), net	<u>(6,511,366)</u>	<u>(291,975)</u>	<u>(1,455,244)</u>	<u>6,255</u>	<u>(8,252,330)</u>
Loss before contributions and transfers	<u>(6,811,049)</u>	<u>(1,140,497)</u>	<u>(4,743,882)</u>	<u>(985,568)</u>	<u>(13,680,996)</u>
Capital contributions	—	—	5,795,266	—	5,795,266
Transfers in	—	1,073,853	89,114	—	1,162,967
Transfers out	—	—	(50,000)	—	(50,000)
Change in net assets	<u>(6,811,049)</u>	<u>(66,644)</u>	<u>1,090,498</u>	<u>(985,568)</u>	<u>(6,772,763)</u>
Net assets at beginning of year	<u>(9,601,475)</u>	<u>(2,820,249)</u>	<u>281,761,942</u>	<u>5,816,496</u>	<u>275,156,714</u>
Net assets at end 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>

See accompanying notes to financial statements.

CITY OF OMAHA, NEBRASKA

Statement of Cash Flows—  
Proprietary Funds

Year ended December 31, 2005



	Convention Center Hotel	Parking Facilities	Sewer Revenue Fund	Other enterprise funds	Total proprietary funds
Cash flows from operating activities:					
Receipts from customers	\$ 4,623,041	3,726,920	32,939,566	5,853,204	47,142,731
Payments to suppliers	(1,551,265)	(1,668,720)	(14,749,959)	(2,153,791)	(20,123,735)
Payments to employees	—	(148,073)	(7,183,335)	(3,706,941)	(11,038,349)
Net cash provided by (used in) operating activities	<u>3,071,776</u>	<u>1,910,127</u>	<u>11,006,272</u>	<u>(7,528)</u>	<u>15,980,647</u>
Cash flows provided by noncapital financing activities:					
Transfers in/out	—	1,073,853	39,114	—	1,112,967
Advances from other funds	—	1,595,184	—	—	1,595,184
Net cash provided by noncapital financing activities	<u>—</u>	<u>2,669,037</u>	<u>39,114</u>	<u>—</u>	<u>2,708,151</u>
Cash flows from capital and related financing activities:					
Capital expenditures	(314,982)	(2,875,072)	(26,243,624)	(73,726)	(29,507,404)
Capital contributions	—	—	5,795,266	—	5,795,266
Proceeds from sale of fixed assets	—	—	2,761	—	2,761
Payments on long-term debt	—	(9,335,000)	(463,187)	(140,000)	(9,938,187)
Payments on notes payable	—	—	(1,439,030)	—	(1,439,030)
Issuance of long-term debt	1,181,789	7,780,642	—	—	8,962,431
Issuance of notes payable	—	—	7,291,197	—	7,291,197
Bond issuance costs	—	(125,642)	—	—	(125,642)
Interest paid	(4,280,527)	(290,431)	(1,512,034)	(24,628)	(6,107,620)
Net cash used in capital and related financing activities	<u>(3,413,720)</u>	<u>(4,845,503)</u>	<u>(16,568,651)</u>	<u>(238,354)</u>	<u>(25,066,228)</u>
Cash flows from investing activities:					
Proceeds from sales of investment securities	—	—	4,991,000	—	4,991,000
Purchase of investment securities	—	—	—	(800,000)	(800,000)
Interest received	574,107	—	9,000	28,823	611,930
Net cash provided by (used in) investing activities	<u>574,107</u>	<u>—</u>	<u>5,000,000</u>	<u>(771,177)</u>	<u>4,802,930</u>
Net increase (decrease) in cash and cash equivalents	232,163	(266,339)	(523,265)	(1,017,059)	(1,574,500)
Cash and cash equivalents, beginning of year	—	266,339	3,167,627	1,060,886	4,494,852
Cash and cash equivalents, end of year	<u>\$ 232,163</u>	<u>—</u>	<u>2,644,362</u>	<u>43,827</u>	<u>2,920,352</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:					
Operating loss	\$ (299,683)	(848,522)	(3,288,638)	(991,823)	(5,428,666)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:					
Depreciation and amortization	3,811,110	2,692,913	13,044,240	467,943	20,016,206
Cash flows impacted by changes in:					
Amounts due from customers and others	—	(22,613)	2,190	(14,407)	(34,830)
Inventories	—	—	84,741	1,741	86,482
Due from other governments	—	—	(333,323)	10,194	(323,129)
Accounts payable and other	(439,651)	86,501	843,653	27,177	517,680
Claims payable	—	—	(100,570)	75,021	(25,549)
Pension obligation	—	—	1,127,492	515,921	1,643,413
Accrued expenses	—	1,848	(373,513)	(99,295)	(470,960)
Net cash provided by (used in) operating activities	<u>\$ 3,071,776</u>	<u>1,910,127</u>	<u>11,006,272</u>	<u>(7,528)</u>	<u>15,980,647</u>

See accompanying notes to financial statements.

**CITY OF OMAHA, NEBRASKA**

Statement of Fiduciary Net Assets—  
Fiduciary Funds

December 31, 2005



	<b>Pension Trust Funds</b>	<b>Agency</b>	<b>Total</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 1,253,121	8,664,402	9,917,523
<b>Receivables:</b>			
Accrued interest	2,447,630	2,142	2,449,772
Other	1,402,318	44,053	1,446,371
Investments, at fair value	726,641,954	588,750	727,230,704
Total assets	<u>731,745,023</u>	<u>9,299,347</u>	<u>741,044,370</u>
<b>Liabilities:</b>			
Warrants payable	67,399	—	67,399
Accounts payable	1,228,747	220,990	1,449,737
Deposits payable	—	9,078,357	9,078,357
Total liabilities	<u>1,296,146</u>	<u>9,299,347</u>	<u>10,595,493</u>
Net assets held in trust for pension benefits	<u>\$ 730,448,877</u>	<u>—</u>	<u>730,448,877</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, 2005



Additions:	
Contributions:	
Employer	\$ 22,262,402
Employee	15,201,162
Total contributions	<u>37,463,564</u>
Investment earnings:	
Dividends and interest	17,626,436
Net increase in the fair value of investments	39,655,192
Total investment earnings	<u>57,281,628</u>
Less investment expenses	<u>(4,467,344)</u>
Net investment earnings	<u>52,814,284</u>
Total additions	90,277,848
Deductions:	
Benefits	<u>51,015,612</u>
Change in net assets	39,262,236
Net assets, beginning	<u>691,186,641</u>
Net assets, ending	<u>\$ 730,448,877</u>

See accompanying notes to financial statements.

# CITY OF OMAHA, NEBRASKA

## Notes to Financial Statements

December 31, 2005



### (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, 2005. 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, 2005



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 one member of DOT.Comm's five-member 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. Nonoperating revenues, such as investment earnings, result from nonexchange transactions or ancillary activities.

# CITY OF OMAHA, NEBRASKA

## Notes to Financial Statements

December 31, 2005



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 enterprise funds:

- The *Convention Center Hotel Fund* is used to account for costs associated with the construction 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.

# CITY OF OMAHA, NEBRASKA

## Notes to Financial Statements

December 31, 2005



### (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 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.

In 2005, the City implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures, an Amendment to GASB Statement No. 3*. GASB Statement No. 40 addresses disclosures on deposits and investments, focusing on common investment risks related to interest rate risk, credit risk, custodial credit risk, foreign currency risk, and concentration of credit risk. This pronouncement requires additional disclosures to be presented in the notes, but has no impact on the net assets of the City.

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2005



**(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 the City, except for the Don Hayes Memorial Fund, Ralph Anderson Memorial Fund, Cash Reserve Fund, Debt Service Fund, Dodge Park Marina Fund, Western Heritage/Byron Reed Fund, Asarco Remediation 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 2005 general tax levy (\$0.24312 per \$100 of assessed valuation) was below the legal limit by \$0.20688, or \$44,469,112.

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 2005 general tax levy (\$0.24312 per \$100 of

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2005



assessed valuation) was below the legal limit by \$0.36938, or \$79,398,688. The assessed value upon which the 2005 levy was based was \$21,495,123,660.

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.

**(j) *Unbilled Sewer Revenues***

Sanitary sewer charges are billed to customers by the Metropolitan Utilities District for the City.

The City Council sets the rate schedule for the sewer charges. A revised rate structure was developed and approved in June 1990 establishing the sewer service charges for the period September 1990 through December 1994. In the absence of subsequent revisions, the 1994 rate structure has remained in effect.

**(k) *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.

**(l) *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.

CITY OF OMAHA, NEBRASKA

Notes to Financial Statements

December 31, 2005



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

**(m) 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 three-eighths of accumulated sick leave up to a maximum of 3,200 hours (1,200 hours). Police employees may accrue a maximum of 492 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 360 hours, plus current year accumulation. Upon retirement, Fire Department 24-hour shift employees are reimbursed for accumulated sick leave up to a maximum of 1,200 hours and 1 for 8 for all hours greater than 1,201. 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 reimbursed for accumulated sick leave up to a maximum of 800 hours.

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 directly and incrementally 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.

**(n) 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

# CITY OF OMAHA, NEBRASKA

## Notes to Financial Statements

December 31, 2005



of \$100,000 on buildings and contents. The City has purchased separate commercial insurance to cover helicopters used by the Police Department.

**(o) 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.

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

**(q) Restricted Assets**

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

**(r) 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.

**(s) 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

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2005



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, 2005 are as follows:

<u>Receivable fund</u>	<u>Amount</u>	<u>Payable fund</u>
Sewer Revenue Fund	\$ 219,432	Other governmental funds
General Fund	1,595,184	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>Sewer</u>	<u>Parking</u>	<u>Nonmajor Governmental</u>	
Transfers From					
Major Governmental Funds:					
General Fund	\$ —	—	—	600,000	600,000
Nonmajor Governmental	100,000	89,114	1,073,853	—	1,262,967
Major Enterprise Funds:					
Sewer	—	—	—	50,000	50,000
Total	\$ 100,000	89,114	1,073,853	650,000	1,912,967

**(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, 2005, \$12,201,707 of the City's bank balance was 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,

CITY OF OMAHA, NEBRASKA

Notes to Financial Statements

December 31, 2005



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. Treasuries	\$ 48,669	48,669	—
U.S. Agencies	83,303,778	39,750,875	43,552,903
Certificates of Deposit	7,408,496	7,408,496	—

**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.

Investment type	Fair value	Quality rating AAA
U.S. Agencies	\$ 83,303,778	83,303,778

**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:

Investment type	Fair value	Percent
U.S. Treasuries	\$ 48,669	0.1%
U.S. Agencies	39,750,875	91.8
Certificates of Deposits	7,408,496	8.1

CITY OF OMAHA, NEBRASKA

Notes to Financial Statements

December 31, 2005



(c) **Pension Trust Funds**

The Pension Trusts Funds consists 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.

**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 assets 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: \$149.5 million in managed accounts and \$24.0 million in a bond mutual fund. Maturities of the securities in these comingled 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	0.2%	3.2%	0.2%	3.4%
U.S. Agencies	2.3	16.5	5.8	4.1
Corporate Bonds	1.1	35.2	20.1	7.8

  

<b>Bond mutual fund</b>	
<b>Maturity</b>	<b>% of fund</b>
0 – 1 years	7.70%
1 – 2 years	8.00
2 – 3 years	22.30
3 – 4 years	42.20
4 – 5 years	19.80

CITY OF OMAHA, NEBRASKA

Notes to Financial Statements

December 31, 2005



**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 plans risks. Each manager employs a varying type of investment style. Fixed income investments are held in five accounts and are managed by four managers: \$149.5 million in managed accounts and \$24.0 million in a bond mutual fund. The quality ratings of the securities in these comingled 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	77
Corporate Bonds	BBB	23

<b>Bond mutual fund</b>	
<b>Rating</b>	<b>% of fund</b>
TSY/Ysy	9.20%
AGY/Agy	36.00
AAA/Aaa	35.70
AA+/A3	10.90
BBB/Ba2	6.60
N/R	1.60

**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 comingled 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>
Bonds	\$ 173,453,966	24%
Domestic Equities	386,324,982	53
International Equities	69,394,714	10
Domestic Real Estate Securities	82,962,105	11
Cash or equivalents	14,506,187	2
Total	\$ 726,641,954	100%

# CITY OF OMAHA, NEBRASKA

## Notes to Financial Statements

December 31, 2005



### (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 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, 2005, 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 23, 2005 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 \$741,000, at an interest rate of 5.09%. The note will be repaid from collections of special assessments.

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2005



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

The following is a summary of long-term liability transactions for the year ended December 31, 2005:

	<u>Balances at January 1, 2005</u>	<u>Issuances or other additions</u>	<u>Retirements or other reductions</u>	<u>Balances at December 31, 2005</u>	<u>Amount due within one year</u>
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 436,260,000	42,800,000	19,635,000	459,425,000	22,430,000
Annexed general obligation bonds	26,846,472	—	1,515,000	25,331,472	1,420,000
Special tax revenue bonds	40,680,000	—	1,125,000	39,555,000	1,360,000
Special obligation bonds	60,590,759	—	621,813	59,968,946	643,542
Deferred amounts:					
Unamortized premium	34,651,832	543,236	1,716,790	33,478,278	—
Loss on refunding	<u>(38,402,241)</u>	<u>(427,034)</u>	<u>(2,012,348)</u>	<u>(36,816,927)</u>	<u>—</u>
Total bonds payable	560,626,822	42,916,202	22,601,255	580,941,769	25,853,542
Special assessment notes payable	1,396,000	741,000	1,396,000	741,000	741,000
Lease-purchase contracts payable	31,755,600	10,718,296	8,372,000	34,101,896	2,158,686
Notes payable	3,702,231	—	195,471	3,506,760	201,918
Grant commitments	27,118,701	1,888,096	12,780,000	16,226,797	3,906,797
Compensated absences	42,897,058	2,918,743	—	45,815,801	2,290,790
Workers' compensation and healthcare claims	15,921,700	4,405,211	262,419	20,064,492	9,668,112
Claims and judgments payable	3,063,000	510,000	—	3,573,000	3,573,000
Net pension obligation	<u>18,279,300</u>	<u>9,061,668</u>	<u>—</u>	<u>27,340,968</u>	<u>—</u>
Total governmental long-term liabilities carryforward	<u>704,760,412</u>	<u>73,159,216</u>	<u>45,607,145</u>	<u>732,312,483</u>	<u>48,393,845</u>

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2005



	<b>Balances at January 1, 2005</b>	<b>Issuances or other additions</b>	<b>Retirements or other reductions</b>	<b>Balances at December 31, 2005</b>	<b>Amount due within one year</b>
Brought forward	\$ 704,760,412	73,159,216	45,607,145	732,312,483	48,393,845
<b>Business-type activities:</b>					
<b>Convention Center Hotel:</b>					
Revenue bonds	108,973,211	1,181,789	—	110,155,000	115,000
Less unamortized discount	(980,250)	—	(35,972)	(944,278)	—
	<u>107,992,961</u>	<u>1,181,789</u>	<u>(35,972)</u>	<u>109,210,722</u>	<u>115,000</u>
<b>Parking Facilities Fund:</b>					
Lease-purchase contracts payable	51,255,000	8,000,000	9,335,000	49,920,000	1,450,000
<b>Deferred amounts:</b>					
Unamortized premium	—	77,143	2,799	74,344	—
Loss on refunding	—	(296,501)	(10,759)	(285,742)	—
Compensated absences	31,080	—	1,195	29,885	1,494
	<u>51,286,080</u>	<u>7,780,642</u>	<u>9,328,235</u>	<u>49,738,487</u>	<u>1,451,494</u>
<b>Sewer Revenue Fund:</b>					
Notes payable	11,263,926	7,291,197	1,439,030	17,116,093	1,691,318
Special obligation bonds	21,299,241	—	463,187	20,836,054	481,458
Plus unamortized premium	197,490	—	7,316	190,174	—
Compensated absences	1,564,704	—	373,514	1,191,190	59,559
Workers' compensation and healthcare claims	927,994	—	100,570	827,424	398,696
Pension obligation	—	1,127,492	—	1,127,492	—
	<u>35,253,355</u>	<u>8,418,689</u>	<u>2,383,617</u>	<u>41,288,427</u>	<u>2,631,031</u>
<b>Nonmajor business-type activities:</b>					
Revenue bonds	585,000	—	140,000	445,000	140,000
Compensated absences	591,018	—	99,295	491,723	24,586
Workers' compensation and healthcare claims	303,613	75,021	—	378,634	182,437
Pension obligation	—	515,921	—	515,921	—
	<u>1,479,631</u>	<u>590,942</u>	<u>239,295</u>	<u>1,831,278</u>	<u>347,023</u>
Total business-type activities	<u>196,012,027</u>	<u>17,972,062</u>	<u>11,915,175</u>	<u>202,068,914</u>	<u>4,544,548</u>
Total all funds	<u>\$ 900,772,439</u>	<u>91,131,278</u>	<u>57,522,320</u>	<u>934,381,397</u>	<u>52,938,393</u>

CITY OF OMAHA, NEBRASKA

Notes to Financial Statements

December 31, 2005



Long-term debt at December 31, 2005 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, 2005</u>
\$ 17,315,000	11-01-95	Various purpose—refund series	4.75 – 5.00	1996 – 2011	2005	\$ 4,335,000
14,470,000	12-01-95	G.O.—defeasance bonds	4.70 – 5.00	1996 – 2013	2005	3,515,000
16,755,000	12-01-96	Various purpose—refund series	5.0 – 5.25	1997 – 2014	2009	6,925,000
12,075,000	03-01-97	G.O.—defeasance bonds	4.70 – 4.95	1998 – 2009	2006	3,505,000
26,475,000	12-15-97	Various purpose—refund series	4.50 – 5.00	1998 – 2017	2007	13,915,000
27,120,000	12-01-98	G.O.—defeasance bonds	4.10 – 5.00	2000 – 2015	2008	15,790,000
25,445,000	12-15-98	Various purpose—refund series	4.20 – 4.50	1999 – 2018	2008	14,005,000
36,570,000	11-15-99	Various purpose—refund series	5.00 – 5.125	2000 – 2019	2009	23,505,000
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	19,580,000
21,000,000	11-15-01	Various purpose	3.00 – 4.75	2002 – 2021	2011	16,800,000
16,000,000	03-01-03	Various purpose	2.75 – 5.00	2003 – 2022	2013	14,310,000
30,175,000	03-01-03	G.O.—defeasance bonds	1.50 – 4.30	2003 – 2021	2013	25,430,000
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	29,635,000
42,800,000	11-15-05	Various purpose—refund series	4.00 – 4.75	2006 – 2025	2015	42,800,000
Total general obligation bonds						459,425,000

**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	660,000
5,420,000	07-15-01	S.I.D. #450	4.00 – 5.05	2002 – 2010	2006	1,080,000
6,690,000	06-01-02	S.I.D. #457	2.80 – 3.65	2002 – 2006	2006	245,000
2,210,000	01-15-04	S.I.D. #203	1.40 – 4.70	2005 – 2024	2009	2,130,000
2,350,000	06-01-00	S.I.D. #381	5.00 – 6.25	2002 – 2021	2004	2,100,000
2,800,000	10-15-03	S.I.D. #381	1.70 – 5.25	2004 – 2022	2007	2,610,000
2,000,000	05-01-02	S.I.D. #433	3.00 – 6.00	2003 – 2022	2007	1,805,000
3,150,000	01-15-04	S.I.D. #433	1.40 – 4.70	2005 – 2024	2009	3,035,000
3,500,000	12-01-03	S.I.D. #448	1.50 – 5.20	2004 – 2023	2007	3,415,000
7,600,000	05-01-04	S.I.D. #448	1.35 – 4.90	2005 – 2024	2008	7,320,000
Total annexed area bonds						25,331,472
Total general obligation and annexed area bonds						\$ 484,756,472

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2005



**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, 2005</u>
\$ 8,500,000	8-1-97	Aksarben Redevelopment Bonds	4.5 – 5.25%	1998 – 2012	2007	\$ 2,935,000
6,195,000	11-2-99	Downtown Northeast Redevelopment Project	4.0 – 6.25	2000 – 2019	2009	4,930,000
3,115,000	12-1-98	Riverfront Redevelopment Project Series 1998	3.75 – 4.55	1999 – 2008	2003	1,065,000
8,670,000	2-1-02	Riverfront Redevelopment Project Series 2002A	5.125 – 5.50	2026 – 2031	2012	8,670,000
1,830,000	2-1-02	Riverfront Redevelopment Project Series 2002B	5.64	2009 – 2013	2009	1,830,000
20,325,000	9-1-04	Performing Arts Complex Redevelopment Bonds	2.50 – 5.00	2005 – 2024	2014	20,125,000
						<u>\$ 39,555,000</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, 2005</u>
\$ 1,250,000	3-1-99	Dodge Park Marina	4.0 – 4.5%	1999 – 2008	2004	\$ 445,000
102,970,000	4-1-02	Convention Center Hotel Revenue, Series 2002A	4.0 – 5.50	2007 – 2032	2012	102,970,000
6,003,211	4-1-02	Convention Center Hotel Revenue, Series 2002B	9.5	2005 – 2032	2007	7,185,000
						<u>\$ 110,600,000</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, 2005</u>
\$ 29,800,000	2-1-02	Riverfront Redevelopment Project Series 2002A	4.00 – 5.50%	2003 – 2032	2012	\$ 27,968,946
32,000,000	2-1-02	Riverfront Redevelopment Project Series 2002B	6.12	2014 – 2026	2012	32,000,000
						<u>\$ 59,968,946</u>

**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, 2005</u>
\$ 22,200,000	2-1-02	Riverfront Redevelopment Project Series 2002A	4.00 – 5.50%	2003 – 2032	2012	\$ 20,836,054

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2005



As of December 31, 2005, the debt service requirements of the City for principal and interest in future years are as follows:

	<b>Governmental activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year ending December 31:			
2006	\$ 25,853,542	28,286,998	54,140,540
2007	24,950,527	27,158,760	52,109,287
2008	26,028,190	26,166,912	52,195,102
2009	25,366,106	25,109,189	50,475,295
2010	24,085,686	24,342,427	48,428,113
2011 – 2015	136,401,962	101,913,628	238,315,590
2016 – 2020	134,360,352	67,281,303	201,641,655
2021 – 2025	123,635,000	33,121,956	156,756,956
2026 – 2030	54,667,760	6,734,807	61,402,567
2031 – 2032	8,931,293	463,157	9,394,450
	<u>\$ 584,280,418</u>	<u>340,579,137</u>	<u>924,859,555</u>

	<b>Business-type activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year ending December 31:			
2006	\$ 736,458	7,729,607	8,466,065
2007	959,473	7,012,853	7,972,326
2008	1,195,818	6,965,058	8,160,876
2009	1,227,163	6,909,283	8,136,446
2010	1,413,508	6,849,721	8,263,229
2011 – 2015	10,493,038	32,912,234	43,405,272
2016 – 2020	15,564,648	29,168,117	44,732,765
2021 – 2025	23,555,000	23,820,880	47,375,880
2026 – 2030	45,537,240	14,646,256	60,183,496
2031 – 2032	30,753,708	1,843,195	32,596,903
	<u>\$ 131,436,054</u>	<u>137,857,204</u>	<u>269,293,258</u>

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.

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2005



**Notes Payable**

Notes payable consist of a loan contract between the City and the U.S. Army Corps of Engineers and five loan contracts between the City and the Nebraska Department of Environmental Quality (NDEQ) with interest rates ranging from 3% to 4%. 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:			
2006	\$ 201,918	118,875	320,793
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 – 2015	942,641	347,393	1,290,034
2016 – 2020	880,128	200,619	1,080,747
2021 – 2024	605,548	42,899	648,447
	<u>\$ 3,506,760</u>	<u>1,116,433</u>	<u>4,623,193</u>
	<b>Business-type activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year ending December 31:			
2006	\$ 1,691,318	545,475	2,236,793
2007	1,260,464	493,614	1,754,078
2008	1,300,124	453,955	1,754,079
2009	1,341,037	413,041	1,754,078
2010	1,383,245	370,834	1,754,079
2011 – 2015	5,204,808	1,226,355	6,431,163
2016 – 2020	2,254,041	691,779	2,945,820
2021 – 2025	2,681,056	264,764	2,945,820
	<u>\$ 17,116,093</u>	<u>4,459,817</u>	<u>21,575,910</u>

**Grant Commitments**

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

2006	\$ 3,906,797
2007	3,730,000
2008	3,865,000
2009	2,050,000
2010	2,050,000
2011 – 2014	625,000
	<u>\$ 16,226,797</u>

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2005



**Tax Increment Financing Notes and Bonds**

At December 31, 2005, \$127,986,388 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.

Tax increment notes and bonds outstanding at December 31, 2005 are comprised of the following individual issues listed below and on the following pages:

**Tax Increment Notes and Bonds**

<u>Original amount</u>	<u>Issue</u>	<u>Effective interest rate at issuance</u>	<u>December 31, 2005</u>
\$ 95,000	Jackson Street Partnership	8.00%	\$ 77,886
61,500	McCarthy Printing	8.25%	19,451
387,027	Millard Refrigerated Services	11.00%	399,177
500,000	Hill Hotel	10.75%	928,458
225,290	Columbian School	0.00%	67,666
210,000	Aspen Ridge Apartments	10.00%	172,901
246,250	Eggress—O' Flying Building	10.00%	32,867
180,015	National Building	9.00%	125,248
75,000	Hamilton Terrace Apts.	10.00%	11,978
581,820	Farnam Park Investments	8.00%	336,639
167,600	Kellom Heights	10.00%	86,631
1,135,000	Food Services of America	8.00%	1,430,769
30,000	Kohlls Drug	8.50%	37,178
235,000	Millard Recycling	7.25%	289,498
181,500	1115 Harney LLP	9.00%	196,262
550,000	1101 Harney LLC	8.00%	255,689
2,650,000	First Data Resources	8.00%	2,708,965
479,000	Lozier III	7.00%	149,071
290,000	Orchard Manor	9.50%	199,391
1,725,000	Millard Refrigeration Svc/NE Beef	6.00%	1,514,140
1,224,000	Westin Aquila	7.00%	704,507
377,000	Drake Williams Steel	9.25%	533,492
200,000	Upstream Brewing Co.	10.13%	205,161
374,000	Securities Building LP	8.00%	313,090
	Carried forward		<u>10,796,115</u>

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2005



**Tax Increment Notes and Bonds (continued)**

<b>Original amount</b>	<b>Issue</b>	<b>Effective interest rate at issuance</b>	<b>December 31, 2005</b>
	Brought forward		\$ 10,796,115
\$ 540,000	Rivergate Apartments	8.75%	412,336
94,140	Caldwell Limited Partnership	10.00%	88,528
271,000	BSDL Investments	9.00%	9,017
90,000	Packers Engineering and Equipment	9.25%	35,700
88,830	Kellom Plaza	10.00%	71,257
500,000	Premier Place Development	9.25%	638,216
42,885	Ames/Fontenelle LLC	9.00%	51,717
1,519,000	Downtown Northeast	8.00%	1,528,573
424,000	Bull Durham	9.00%	387,470
110,000	Grace Plaza/Twentieth Plaza	8.50%	130,695
139,000	Riverview Meadows	9.00%	225,951
195,000	Campus for Hope	2.71%	130,764
400,000	American Laboratories	9.00%	493,551
655,000	Ford Warehouse Apartments	9.00%	609,186
419,000	Spaghetti Building	9.00%	442,359
260,000	Quality Refrigerated Services	8.50%	170,097
202,000	Riley Building LLC	8.00%	286,055
273,000	Cannonball Express #3	9.00%	178,359
243,600	Village Development	8.00%	270,837
175,000	Immaculate Conception School	8.00%	191,585
180,225	Robbins School LLP	9.00%	170,070
76,000	L&R Holdings LLC	8.50%	58,893
790,000	Bernis Company, Inc.	8.50%	1,232,972
378,000	Joslyn Lofts Limited Partnership	8.00%	444,701
918,400	St. Joseph Terrace Apts. LLC	8.00%	1,018,494
118,000	South Omaha Affordable Housing Corp.	8.50%	140,405
894,600	707 South 11th Street LP	7.50%	1,214,445
2,087,400	1023 Jones Street LLP	7.25%	2,291,192
186,000	E.A. Pedersen Redevelopment	8.00%	250,220
180,000	1234 South 13th Street	8.78%	271,325
5,972,725	Ames Center/Benson Plaza Redevelopment	8.00%	7,923,041
2,098,000	Airlite Plastics Company	7.75%	2,068,009
1,553,000	Hilton Garden Inn	9.00%	1,625,654
77,950	Roman Marble Products	8.00%	86,389
495,000	Abbot Drive Plaza Redevelopment	8.00%	743,514
100,000	Meredith Manor	10.00%	107,359
285,000	1613 Farnam Street LLC	8.50%	309,267
100,000	Cox/Suburban Electric Redevelopment	8.50%	115,515
50,000	T&B Properties LLC	9.50%	62,691
	Carried forward		<u>37,282,524</u>

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2005



**Tax Increment Notes and Bonds (continued)**

<b>Original amount</b>	<b>Issue</b>	<b>Effective interest rate at issuance</b>	<b>December 31, 2005</b>
	Brought forward		\$ 37,282,524
\$ 100,000	Kellom Plaza North	9.00%	43,830
71,000	Big Jim's Plus Gas & Convenience Store	9.38%	94,865
4,100,000	Omaha World Herald	9.00%	4,392,946
202,000	Channel Construction (Airport Bus. Park	8.00%	277,447
238,000	Cohen Squared LLC	8.75%	260,746
150,000	Fullwood Square Apartments LLP	8.75%	180,377
285,000	O'Keefe Elevator Company, Inc. Red.	8.50%	292,281
307,200	Ames Avenue LLC	8.00%	321,439
355,000	Village Development (24th Street LLC)	8.00%	398,748
438,000	Turner Park LLC Redevelopment	8.00%	509,953
106,800	Bradford Investment Group (Benson)	9.00%	155,637
553,000	Cintas Group (North Omaha Business Park)	8.50%	757,211
1,600,000	Drake Court Apts. (710 S 20th LLC)	7.00%	1,826,863
602,498	Signa Development Svcs (Omaha Club)	7.50%	792,698
330,000	Mercer Mgt (Bemis Bag Building)	8.00%	441,913
125,000	Kellom Villa Limited	7.25%	143,321
120,000	Kellom Gardens Limited	7.25%	126,552
86,600	Armored Knights	5.00%	88,640
1,108,538	Phillips Realty LLC	5.00%	1,212,016
243,000	King's Heritage Estates I	8.00%	273,710
790,000	1000 Dodge Street LLC	6.50%	917,343
1,400,000	Livestock Exchange Building LLC	7.00%	2,016,755
580,000	Miami Heights Area Redevelopment	8.50%	725,089
1,335,000	Greater Omaha Packing II	6.00%	1,683,473
721,000	Airlite Plastics Company II	6.00%	727,314
526,000	California Housing LLC	7.50%	650,075
150,000	QRS (Quality Refrigerated Svcs) Redev II	8.25%	194,342
856,000	Hy-Vee, Inc. Redevelopment	7.00%	989,256
2,083,000	9th Street Apartments LLC	8.00%	2,444,227
600,000	Twenty Fourth & Hamilton LLC	7.00%	696,420
125,000	701 South 15th LLC	8.00%	139,853
2,750,000	Courtland Place No. I LLC	0.00%	2,977,908
1,800,000	Beacon Partners LLC (Homeland Sec)	0.00%	1,791,571
5,704,000	Riverfront Partners LLC	0.00%	5,704,000
777,000	1111 Jones Street LLC (Museum Kaneko)	7.00%	884,485
450,000	DTD LLC & Jobbers Canyon LLC	7.00%	489,168
1,495,000	National Parks Service Redevelopment	0.00%	1,495,000
	Carried forward		<u>74,399,996</u>

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2005



**Tax Increment Notes and Bonds (continued)**

<u>Original amount</u>	<u>Issue</u>	<u>Effective interest rate at issuance</u>	<u>December 31, 2005</u>
	Brought forward		\$ 74,399,996
\$ 1,840,000	Model T Ford Building LLC	7.00%	1,977,269
1,000,000	T.S. McShane LLC (P.E. II Bldg)	7.00%	1,074,603
8,490,000	Sorenson Park Plaza Commercial Develop	6.00%	8,944,971
510,000	Sutherland Plaza LLC	6.50%	548,565
525,000	U.S. Food Service	8.00%	550,315
232,000	The Village at Omaha LP Redevelopment	7.00%	243,702
150,000	5217 South 28th Street LLC Redevelopment	7.00%	155,293
1,020,000	12th Street Condos LLC	6.00%	1,056,385
108,000	Underwood Properties, Inc.	7.00%	109,968
4,000,000	Shamrock Parking LLC	7.00%	4,185,644
566,000	BM &J Holdings LLC	7.00%	586,190
321,730	Rycan, Inc. (dba Wes & Willy Redev)	6.70%	325,687
	Carried forward		<u>94,158,588</u>

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2005



**Tax Increment Notes and Bonds (continued)**

<u>Original amount</u>	<u>Issued</u>	<u>Issue</u>	<u>Effective interest rate at issuance – payable semiannually</u>	<u>Series due</u>	<u>December 31, 2005</u>
		Brought forward—Tax increment notes			\$ 94,158,588
\$ 3,510,000	5-23-97	Riverfront Hotel Redevelopment Project	6.00%	1998 – 2010	1,671,000
1,210,000	5-23-97	Riverfront Hotel Redevelopment Project	4.00%	1998 – 2010	541,000
3,440,000	12-1-98	Downtown Northeast—Redevelopment Project No. 1	6.25%	2001 – 2013	2,430,000
14,515,000	5-1-99	FNB Tower Project—Series 1999A	6.965% – 7.675%	2004 – 2014	12,335,000
3,500,000	5-1-99	FNB Tower Project—Series 1999B	6.965% – 7.675%	2004 – 2014	2,975,000
4,649,620	10-15-01	Riverfront Redevelopment—ConAgra Series 2A	6.50%	2001 – 2013	1,279,220
1,420,380	10-15-01	Riverfront Redevelopment—ConAgra Series 2B	6.50%	2001 – 2013	390,780
620,000	4-9-03	Downtown NE Redevelopment—Child Care Facility	5.00%	2003 – 2015	482,200
600,000	10-1-04	Downtown NE Redevelopment—FNB Data Center 2004	5.90%	2004 – 2013	293,600
11,585,000	12-1-04	Convention Center Hotel Redevelopment Project	2.5% – 4.85%	2005 – 2019	<u>11,430,000</u>
		Total tax increment bonds			<u>33,827,800</u>
		Total tax increment notes and bonds			<u>\$ 127,986,388</u>

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2005



**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, 2005 is calculated as follows:

Debt limit	\$ <u>752,329,328</u>
General obligation debt	484,756,472
General debt service fund balance	<u>18,892,007</u>
	<u>465,864,465</u>
Debt margin	\$ <u><u>286,464,863</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 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 June 1, 2005, the City issued \$14,890,000 of lease purchase 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 \$14,110,000 of lease purchase bonds. The refunding consisted of \$5,385,000 of Northwest Library lease purchase bonds, \$1,070,000 of Impound Facility lease purchase bonds and \$7,655,000 of Parking Facility lease purchase bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. The Northwest Library and Impound Facility bonds funded Governmental Activities bonds and the Parking Facility bonds funded Business-Type Activities. The reacquisition price exceeded the net carrying amount of the old debt by \$720,000. 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 \$907,778 and resulted in an economic gain of \$876,284.

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2005



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, 2005 is shown below:

**General Obligation Bonds**

1996 Various Purpose	\$ 1,350,000
Convention Center Series A	<u>118,035,000</u>
	<u>\$ 119,385,000</u>

**Annexed Area Bonds**

S.I.D. #411	\$ 3,030,000
S.I.D. #450	3,625,000
S.I.D. #457	<u>5,750,000</u>
	<u>\$ 12,405,000</u>

**Special Tax Revenue Bond**

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

Northwest Library Lease Purchase Bonds	\$ 5,385,000
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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.

*Terms, fair values, and credit risk*—The terms, including the fair values and credit ratings of the outstanding swaps as of December 31, 2005, 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%	\$ 4,253,719	February 2026	N/A
2002 STRB Bonds**	<u>1,830,000</u>	February 2002	5.64%	79,178	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.

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2005



*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 2034, 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.

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, 2005:

	<u>Governmental activities</u>	<u>Business-type activities</u>
Fiscal year ending:		
2006	\$ 3,874,696	4,233,894
2007	3,520,934	4,596,437
2008	3,560,446	4,611,168
2009	3,493,487	4,590,158
2010	3,488,647	4,592,571
2011 – 2015	16,360,820	22,619,014
2016 – 2020	12,167,148	16,561,433
2021 – 2025	1,674,014	9,066,585
2026 – 2030	—	9,098,846
2031 – 2034	—	5,482,604
	<hr/>	<hr/>
Total minimum lease payments	48,140,192	85,452,710
Less amount representing interest	<hr/> 14,038,296	<hr/> 35,532,710
Total principal obligation under capital leases with rates of interest from 3.55% to 7%	<hr/> <hr/> \$ 34,101,896	<hr/> <hr/> 49,920,000

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 Commission. The annual rental payments are determined based upon actual space occupied by the City for operation and maintenance. Actual rental payments for 2005 were approximately \$1,122,000.

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2005



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

Receivables at December 31, 2005 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	\$ 51,370,544	37,148,137	3,156,727	91,675,408	—	—	—	—	91,675,408
Telephone occupation tax	2,861,227	—	—	2,861,227	—	—	—	—	2,861,227
Hotel motel occupation tax	242,969	—	—	242,969	—	—	—	—	242,969
Vehicle rental occupation tax	308,624	—	—	308,624	—	—	—	—	308,624
Cable TV franchise fee	948,033	—	—	948,033	—	—	—	—	948,033
MUD in lieu of tax	2,495,024	—	—	2,495,024	—	—	—	—	2,495,024
OPPD occupation tax	76,991	—	—	76,991	—	—	—	—	76,991
Motor vehicle tax	733,422	—	—	733,422	—	—	—	—	733,422
Special assessment	—	2,003,746	3,177,960	5,181,706	—	—	—	—	5,181,706
State aid distribution	1,238,165	—	—	1,238,165	—	—	—	—	1,238,165
Due from other governments	22,545,545	168,408	18,832,906	41,546,859	—	2,544,250	14,094	2,558,344	44,105,203
Accrued interest	502,562	—	68,007	570,569	—	—	—	—	570,569
Charges for services and other	4,097,017	—	5,283,801	9,380,818	84,260	273,890	46,064	404,214	9,785,032
Gross receivables	87,420,123	39,320,291	30,519,401	157,259,815	84,260	2,818,140	60,158	2,962,558	160,222,373
Less allowance for uncollectible	(1,083,254)	(631,518)	(53,664)	(1,768,436)	—	—	—	—	(1,768,436)
Net total receivables	\$ <u>86,336,869</u>	<u>38,688,773</u>	<u>30,465,737</u>	<u>155,491,379</u>	<u>84,260</u>	<u>2,818,140</u>	<u>60,158</u>	<u>2,962,558</u>	<u>158,453,937</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, 2005, the various components of deferred revenue and unearned revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property tax receivable (general fund)	\$ 50,497,244	—
Property tax receivable (debt service fund)	36,516,619	—
Special assessments (debt service fund)	2,003,746	—
Property tax receivable (other governmental funds)	3,103,113	—
Special assessments (other governmental funds)	3,177,960	—
Grants (other governmental funds)	3,037,454	725,713
	\$ <u>98,336,136</u>	<u>725,713</u>

CITY OF OMAHA, NEBRASKA

Notes to Financial Statements

December 31, 2005



**(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 (Civilian Plan) and the City of Omaha Police and Firefighters Retirement System (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 21, 2003, Civilian Plan members are required to contribute, by payroll deduction, 6.825% of their annual covered salary and the City is required to contribute at a rate of 8.025% 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 \$3,643,132 for the employees and \$4,500,192 for the employer for the year ended December 31, 2005.

*Participant Data*

Number of:	
Active members	1,139
Service retirements	789
Surviving spouses and children	253
Disabled	93
Deferred vested	72
	<hr/>
Total participants	2,346
	<hr/> <hr/>

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2005



*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, 2005 are as follows:

Annual required contribution	\$ 6,877,913
Interest on net pension obligation	433,383
Adjustment to annual required contribution	(489,268)
	<hr/>
Annual pension cost	6,822,028
Contributions made	(4,500,192)
	<hr/>
Increase in net pension obligation	2,321,836
Net pension obligation, beginning of year	(5,778,439)
	<hr/>
Net pension obligation, end of year	\$ (8,100,275)
	<hr/> <hr/>

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, 2005



*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	\$ 954,320
Other	296,947
Investments, at fair value	276,432,339
Total assets	<u>\$ 277,683,606</u>
<b>Liabilities</b>	
Warrants payable	\$ 58,899
Accounts payable	498,840
Total liabilities	<u>557,739</u>
<b>Net Assets</b>	
Net assets:	
Held in trust for pension benefits	<u>277,125,867</u>
Total liabilities and net assets	<u>\$ 277,683,606</u>
Additions:	
Contributions:	
Employer	\$ 4,500,193
Employee	3,643,132
Total contributions	<u>8,143,325</u>
Investment income (loss):	
Dividends and interest	8,245,419
Net appreciation in fair value of investments	9,855,198
Investment expenses	<u>(1,775,123)</u>
Net investment income	<u>16,325,494</u>
Total additions	24,468,819
Deductions:	
Benefit payments	<u>18,181,101</u>
Change in net assets	6,287,718
Net assets held in trust for pension benefits, beginning of year	<u>270,838,149</u>
Net assets held in trust for pension benefits, end of year	<u>\$ 277,125,867</u>

CITY OF OMAHA, NEBRASKA

Notes to Financial Statements

December 31, 2005



*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 uniformed 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 of the Police Department are required to contribute, by payroll deduction, 13.14% of their annual covered salary. Uniformed Plan members of the Fire Department are required to contribute, by payroll deduction, 13.91% of their annual covered salary. The City is required to contribute at a rate of 18.755% of annual covered salary of the Police Department personnel and 19.525% of annual covered salary for Fire Department personnel. 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 \$11,558,030 for the employees and \$17,762,209 for the employer for the year ended December 31, 2005.

*Participant Data*

Number of:	
Active members	1,413
Service retirements	638
Surviving spouses and children	267
Disabled	258
Deferred vested	9
	<hr/>
Total participants	<u>2,585</u>

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2005



*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, 2005 are as follows:

Annual required contribution	\$ 26,255,804
Interest on net pension obligation	1,000,069
Adjustment to annual required contribution	<u>(1,110,419)</u>
Annual pension cost	26,145,454
Contributions made	<u>(17,762,209)</u>
Increase in net pension obligation	8,383,245
Net pension obligation, beginning of year	<u>(12,500,861)</u>
Net pension obligation, end of year	<u><u>\$ (20,884,106)</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	5.4% – 9.9%
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, 2005



*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	\$ 1,253,121
Receivables:	
Accrued interest	1,347,673
Other	1,105,371
Investments, at fair value	<u>450,355,252</u>
Total assets	<u>\$ 454,061,417</u>
<b>Liabilities</b>	
Warrants payable	\$ 8,500
Accounts payable	<u>729,907</u>
Total liabilities	<u>738,407</u>
<b>Net Assets</b>	
Net assets:	
Held in trust for pension benefits	<u>453,323,010</u>
Total liabilities and net assets	<u>\$ 454,061,417</u>

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2005



Additions:	
Contributions:	
Employer	\$ 17,762,209
Employee	11,558,030
Total contributions	29,320,239
Investment income (loss):	
Dividends and interest	9,381,017
Net appreciation in fair value of investments	29,799,994
Investment expenses	(2,692,221)
Net investment income	36,488,790
Total additions	65,809,029
Deductions:	
Benefit payments	32,834,511
Change in net assets	32,974,518
Net assets held in trust for pension benefits, beginning of year	420,348,492
Net assets held in trust for pension benefits, end of year	\$ 453,323,010

*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.

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2005



**(10) Capital Assets**

Capital asset activity for the year ended December 31, 2005 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	\$ 120,033,394	3,080,028	—	123,113,422
Cultural assets	5,833,600	—	—	5,833,600
Construction in progress	<u>48,329,616</u>	<u>15,323,422</u>	<u>26,809,848</u>	<u>36,843,190</u>
Total capital assets, not being depreciated	<u>174,196,610</u>	<u>18,403,450</u>	<u>26,809,848</u>	<u>165,790,212</u>
Capital assets, being depreciated:				
Buildings	429,268,677	25,703,787	—	454,972,464
Machinery and equipment	59,523,630	3,158,355	3,959,602	58,722,383
Infrastructure	300,140,238	34,963,144	—	335,103,382
Lease purchases	<u>50,946,851</u>	<u>319,760</u>	<u>—</u>	<u>51,266,611</u>
Total capital assets, being depreciated	<u>839,879,396</u>	<u>64,145,046</u>	<u>3,959,602</u>	<u>900,064,840</u>
Less accumulated depreciation for:				
Buildings	110,197,729	12,004,778	—	122,202,507
Machinery and equipment	39,101,049	4,514,402	3,908,474	39,706,977
Infrastructure	62,235,321	6,969,648	51,768	69,153,201
Lease purchases	<u>9,308,428</u>	<u>1,917,488</u>	<u>2,512</u>	<u>11,223,404</u>
Total accumulated depreciation	<u>220,842,527</u>	<u>25,406,316</u>	<u>3,962,754</u>	<u>242,286,089</u>
Total capital assets, being depreciated, net	<u>619,036,869</u>	<u>38,738,730</u>	<u>(3,152)</u>	<u>657,778,751</u>
Governmental activities capital assets, net	<u>\$ 793,233,479</u>	<u>57,142,180</u>	<u>26,806,696</u>	<u>823,568,963</u>

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2005



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	\$ 459,676	38,690	—	498,366
Capital assets, being depreciated:				
Buildings	70,668,460	193,063	—	70,861,523
Machinery and equipment	3,396,000	83,229	—	3,479,229
Furniture and fixtures	6,760,247	—	—	6,760,247
Total capital assets, being depreciated	<u>80,824,707</u>	<u>276,292</u>	<u>—</u>	<u>81,100,999</u>
Less accumulated depreciation for:				
Buildings	883,356	1,771,538	—	2,654,894
Machinery and equipment	339,600	687,523	—	1,027,123
Furniture and fixtures	676,025	1,352,049	—	2,028,074
Total accumulated depreciation	<u>1,898,981</u>	<u>3,811,110</u>	<u>—</u>	<u>5,710,091</u>
Total capital assets, being depreciated, net	<u>78,925,726</u>	<u>(3,534,818)</u>	<u>—</u>	<u>75,390,908</u>
Convention Center Hotel Fund capital assets, net	<u>\$ 79,385,402</u>	<u>(3,496,128)</u>	<u>—</u>	<u>75,889,274</u>

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2005



	<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	846,679	2,875,072	1,499,641	2,222,110
Total capital assets, not being depreciated	<u>3,320,023</u>	<u>2,875,072</u>	<u>1,499,641</u>	<u>4,695,454</u>
Capital assets, being depreciated:				
Leased buildings	52,075,342	1,499,641	—	53,574,983
Buildings	4,567,229	—	—	4,567,229
Total capital assets, being depreciated	<u>56,642,571</u>	<u>1,499,641</u>	<u>—</u>	<u>58,142,212</u>
Less accumulated depreciation for:				
Leased buildings	9,143,765	2,678,802	—	11,822,567
Buildings	3,768,287	14,111	—	3,782,398
Total accumulated depreciation	<u>12,912,052</u>	<u>2,692,913</u>	<u>—</u>	<u>15,604,965</u>
Total capital assets, being depreciated, net	<u>43,730,519</u>	<u>(1,193,272)</u>	<u>—</u>	<u>42,537,247</u>
Parking Facilities Fund capital assets, net	<u>\$ 47,050,542</u>	<u>1,681,800</u>	<u>1,499,641</u>	<u>47,232,701</u>

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2005



	<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	—	—	1,306,857
Construction in progress	42,336,053	19,791,341	21,657,458	40,469,936
Total capital assets, not being depreciated	<u>43,642,910</u>	<u>19,791,341</u>	<u>21,657,458</u>	<u>41,776,793</u>
Capital assets, being depreciated:				
Utility plant	459,457,130	27,452,723	—	486,909,853
Machinery and equipment	13,784,069	657,018	—	14,441,087
Total capital assets, being depreciated	<u>473,241,199</u>	<u>28,109,741</u>	<u>—</u>	<u>501,350,940</u>
Less accumulated depreciation for:				
Utility plant	197,474,990	12,590,035	—	210,065,025
Machinery and equipment	11,803,114	454,205	—	12,257,319
Total accumulated depreciation	<u>209,278,104</u>	<u>13,044,240</u>	<u>—</u>	<u>222,322,344</u>
Total capital assets, being depreciated, net	<u>263,963,095</u>	<u>15,065,501</u>	<u>—</u>	<u>279,028,596</u>
Sewer Revenue Fund capital assets, net	<u>\$ 307,606,005</u>	<u>34,856,842</u>	<u>21,657,458</u>	<u>320,805,389</u>

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2005



	<u>Beginning balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balances</u>
Nonmajor Enterprise Funds:				
Capital assets, being depreciated:				
Buildings and systems	\$ 8,646,841	—	—	8,646,841
Machinery and equipment	2,741,286	73,726	—	2,815,012
Total capital assets, being depreciated	<u>11,388,127</u>	<u>73,726</u>	<u>—</u>	<u>11,461,853</u>
Less accumulated depreciation for:				
Building and systems	2,961,730	318,786	—	3,280,516
Machinery and equipment	2,095,120	149,157	—	2,244,277
Total accumulated depreciation	<u>5,056,850</u>	<u>467,943</u>	<u>—</u>	<u>5,524,793</u>
Nonmajor Enterprise capital assets, net	<u>\$ 6,331,277</u>	<u>(394,217)</u>	<u>—</u>	<u>5,937,060</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 691,678
Public safety	3,188,160
Community development	13,791,147
Ecological services	257,060
Culture and parks	7,391,673
Transportation services	86,598
Total depreciation expense—governmental	<u>\$ 25,406,316</u>

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2005



**MECA**

At June 30, 2005, property and equipment and accumulated depreciation for MECA are as follows:

	<b>Balance July 1, 2004</b>	<b>Additions Transfers In</b>	<b>Disposals Transfers Out</b>	<b>Balance June 30, 2005</b>
Leasehold improvements	\$ —	44,191	—	44,191
Furniture, fixtures, and equipment	4,733,602	18,423	—	4,752,025
Building rights	10,079,196	—	—	10,079,196
Construction in progress	—	153,500	—	153,500
	<u>14,812,798</u>	<u>216,114</u>	<u>—</u>	<u>15,028,912</u>
Accumulated depreciation and amortization	(988,168)	(1,108,126)	—	(2,096,294)
	<u>\$ 13,824,630</u>	<u>(892,012)</u>	<u>—</u>	<u>12,932,618</u>

CITY OF OMAHA, NEBRASKA

Notes to Financial Statements

December 31, 2005



(11) Fund Deficits

Fund deficits exist in the following funds:

Major Enterprise Funds:	
Parking Facilities	\$ 2,886,893
Convention Center Hotel	16,412,524
Nonmajor Enterprise Fund:	
Printing and Graphics	260,990
Nonmajor Capital Projects Funds:	
Stadium Expansion/Improvement	237,836
Capital Special Assessment	1,283,759
Wilson Business Park	465,448
Airport Business Park Development	681,798
South Omaha Library Construction	341,105
Nonmajor Special Revenue Funds:	
Park Development	2,877,976
Emergency Shelter Grant	185,675
Nebraska Affordable Housing Trust	78,164
Local Law Enforcement Block Grant	100,793
Domestic Violence Grants	104,253
COPS Grants	638,358
COPS Hiring Grants	381,935
Metro Drug Task Force Grants	261,563
Comprehensive Communities Program	157,204
Weed & Seed	80,750
Fire Department Grants	438,750
EPA Administration Grants	141,970
Supportive Housing Grant	279,153
Economic Development Incentive Grant	124,635
Federal Grants – FIRE	64,242

The fund deficits will be eliminated through collection of special assessments, operating transfers from other funds, and issuance of general obligation debt in the fall of 2006.

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.

**CITY OF OMAHA, NEBRASKA**

Notes to Financial Statements

December 31, 2005



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 Stadium Expansion/Improvement Fund and the South Omaha Library Construction fund deficits will be eliminated by issuance of Lease Purchase Bonds. It is planned that the Stadium Lease Purchase Bonds will be issued in the fourth quarter of 2006 and the Bonds for the South Omaha Library will be issued in the summer of 2007.

The Wilson Business Park and Airport Business Park Funds will issue Redevelopment Bonds in the fourth quarter of 2006 to eliminate the fund deficits.

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, 1,317 individuals meet these eligibility requirements. The cost of health insurance coverage is recognized as an expense as claims are paid. For 2005, these costs were approximately \$10,230,000.

**(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 2005 and 2004 are as follows:

	<u>Beginning of year liability</u>	<u>Current year claims</u>	<u>Claim payments</u>	<u>End of year liability</u>
2005	\$ 17,153,307	37,516,256	33,399,013	21,270,550
2004	18,119,785	34,239,973	35,206,451	17,153,307

# CITY OF OMAHA, NEBRASKA

## Notes to Financial Statements

December 31, 2005



### (14) Commitments

The City is a defendant in a number of lawsuits in its normal course of operations. In addition to the \$3,573,000 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 \$5.8 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, 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, 2005, a liability of \$135,139 remains for preopening expenses and is reflected in other liabilities (current and long-term) in the accompanying statement of net assets.

**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, 2005



	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Property tax	\$ 48,567,423	48,567,423	50,000,897	1,433,474
Motor vehicle taxes	8,898,160	8,898,160	8,808,677	(89,483)
City sales and use tax	112,040,000	112,040,000	112,954,972	914,972
Business taxes	27,031,790	27,031,790	26,845,997	(185,793)
Licenses and permits	8,373,680	8,373,680	8,248,962	(124,718)
Intergovernmental revenues	7,713,500	7,713,500	9,956,560	2,243,060
Charges for services	16,522,707	16,522,707	15,616,713	(905,994)
Interest income	1,196,000	1,196,000	1,292,491	96,491
Rent and royalties	95,500	95,500	107,512	12,012
Miscellaneous	1,038,150	1,038,150	1,215,451	177,301
Total revenues	<u>231,476,910</u>	<u>231,476,910</u>	<u>235,048,232</u>	<u>3,571,322</u>
Expenditures:				
General government:				
Mayor's office	1,023,720	1,023,720	924,840	98,880
City clerks	568,826	568,826	537,510	31,316
City council	1,116,330	1,116,330	1,125,579	(9,249)
Law	3,173,383	3,173,383	3,199,277	(25,894)
Personnel	1,682,601	1,682,601	1,580,051	102,550
Human relations	879,264	879,264	894,249	(14,985)
Finance	2,640,878	2,640,878	2,819,299	(178,421)
Planning	5,604,121	5,604,121	6,599,159	(995,038)
Employee benefits	17,625,493	17,625,493	15,163,968	2,461,525
Other agencies	21,630,108	21,630,108	23,225,076	(1,594,968)
Total general government	<u>55,944,724</u>	<u>55,944,724</u>	<u>56,069,008</u>	<u>(124,284)</u>
Public safety:				
Fire	59,857,099	59,857,099	59,511,704	345,395
Police	78,779,433	78,779,433	80,253,364	(1,473,931)
Total public safety	<u>138,636,532</u>	<u>138,636,532</u>	<u>139,765,068</u>	<u>(1,128,536)</u>
Public works:				
Environmental	12,174,362	12,174,362	11,910,502	263,860
Street and highway	1,834,549	1,834,549	1,720,177	114,372
Total public works	<u>14,008,911</u>	<u>14,008,911</u>	<u>13,630,679</u>	<u>378,232</u>
Culture and recreation:				
Parks and recreation	15,069,857	15,069,857	15,265,292	(195,435)
Libraries	8,436,330	8,436,330	8,406,738	29,592
Total culture and recreation	<u>23,506,187</u>	<u>23,506,187</u>	<u>23,672,030</u>	<u>(165,843)</u>
Total expenditures	<u>232,096,354</u>	<u>232,096,354</u>	<u>233,136,785</u>	<u>1,040,431</u>
(Deficiency) excess of revenues over expenditures	<u>(619,444)</u>	<u>(619,444)</u>	<u>1,911,447</u>	<u>2,530,891</u>
Net changes in fund balances	<u>(619,444)</u>	<u>(619,444)</u>	<u>1,911,447</u>	<u>2,530,891</u>
Fund balances—beginning of year	619,444	619,444	4,252,110	3,632,666
Lapsed encumbrances	—	—	743,269	743,269
Transfer—Contingency Liability Fund	—	—	(500,000)	(500,000)
Fund balances—end of year	<u>\$ —</u>	<u>—</u>	<u>6,406,826</u>	<u>6,406,826</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, 2005



### (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, 2005



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:	
2004 carryover to 2006	\$ 3,762,999
2005 carryover to 2007	<u>2,643,827</u>
Total budget basis	6,406,826
Basis differences:	
Taxes accrued	22,312,661
Accrued interest	502,562
Encumbrances	2,977,261
Inventories	<u>573,722</u>
GAAP basis	\$ <u>32,773,032</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:	
General government:	
City Council	\$ (9,249)
Law	(25,894)
Human relations	(14,985)
Finance	(178,421)
Planning	(995,038)
Other agencies	(1,594,968)
Public safety:	
Police	(1,473,931)
Culture and recreation:	
Parks and recreation	(195,435)

**CITY OF OMAHA, NEBRASKA**

Schedule of Funding Progress

Year ended December 31, 2005



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>
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%
2000	252.3	231.3	(21.0)	109.1%	52.7	(39.8)%

\* 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 ending</u>	<u>Annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation</u>
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
2000	3,038,674	108	865,924

**CITY OF OMAHA, NEBRASKA**

Schedule of Funding Progress

Year ended December 31, 2005



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

**Required Supplementary Information  
Schedule of Funding Progress (Unaudited)**

(Dollar amounts in millions)

<b>Actuarial valuation date</b>	<b>Actuarial value of assets (a)</b>	<b>Actuarial liability (AAL) entry age * (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded ratio (a/b)</b>	<b>Covered payroll (c)</b>	<b>UAAL as a percentage of covered payroll ((b-a)/c)</b>
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%
2000	361.5	425.1	63.6	85.0%	74.5	85.4%

\* 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)

<b>Fiscal year ending</b>	<b>Annual pension cost (APC)</b>	<b>Percentage of APC contributed</b>	<b>Net pension obligation</b>
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)
2000	11,239,440	121	(3,053,033)

**SINGLE AUDIT SECTION**

**CITY OF OMAHA, NEBRASKA**  
Schedule of Expenditures of Federal Awards  
Year ended December 31, 2005



Federal grantor/pass-through grantor/program title	Grant number	CFDA number	2005 expenditures
U.S. Department of Health and Human Services:			
Passed through State of Nebraska Department of Health and Human Services:			
Urban Enterprise Community	G-9501-NE-ECUR	93.667	\$ 10,648
U.S. Department of Homeland Security:			
Direct programs:			
Interoperable Communications Equipment	2004-INWX-0013	97.055	790
Homeland Security Cluster:			
Passed through Nebraska Emergency Management Agency:			
Urban Area Security Initiative	2005-GET5-0020	97.067	348,905
Passed through U.S. Department of Health and Human Services:			
Metropolitan Medical Response System	282-00-0042	97.067	1,276,742
Total Homeland Security Cluster			1,625,647
Total U.S. Department of Homeland Security			1,637,085
U.S. Department of Housing and Urban Development:			
Direct programs:			
Community Development Block Grants/Entitlement Grants	B-99/00/01-MC-31-0002	14.218	8,648,168
Emergency Shelter Grants Program	S-00/01-MC-31-0001	14.231	186,806
Supportive Housing Program	NE 26B/97/98/99/00	14.235	242,118
HOME Investment Partnership Program	M-95/01-MC/DC-31-0203	14.239	2,129,203
Economic Development Incentive	Various	14.246	609,488
Fair Housing Assistance Program	FF207K00/017008	14.401	60,676
Lead-Based Paint Hazard Control	NEBLH-0301-5	14.900	54,286
Total U.S. Department of Housing and Urban Development			11,930,745
U.S. Department of Interior:			
Passed through Nebraska State Historical Society—Historic Preservation Fund Grants-in-Aid	2004	15.904	44,843
U.S. Department of Justice:			
Direct programs:			
Stop Abuse and Sexual Assault Against Elderly	2003-EWBX-0002	16.528	153,125
Rural Domestic Violence & Child Victimization	2003-WRBX-0050	16.589	191,526
Grants to Encourage Arrest Policies	97-WE-VX-0104	16.590	92,301
Local Law Enforcement Block Grants Program	Various	16.592	463,377
Public Safety Partnership and Community Policing Grants (COPS)	Various	16.710	2,052,488
Weed & Seed	Various	16.725	442,806
Passed through State of Nebraska Commission on Law Enforcement and Criminal Justice:			
Juvenile Accountability Incentive Block Grants	04-JA-603 & 03-JA-602	16.523	368,461
Juvenile Fire Starters Diversion Grant	05JS426 & 04JS435	16.548	37,311
Metro Drug Task Force	05DA310&04DA303	16.595	516,194
Project Safe Neighborhoods	Various	16.609	152,536
Total U.S. Department of Justice			4,470,125
U.S. Department of Labor:			
Passed through State of Nebraska Department of Labor:			
Workforce Investment Act Cluster:			
Workforce Investment/Development Act—Adult	A70528008150	17.258	1,565,590
Workforce Investment/Development Act—Youth	A70528008150	17.259	1,143,209
Workforce Investment/Development Act—Dislocated Worker	A70528008150	17.260	1,035,038
Total Workforce Investment Act Cluster			3,743,837
U.S. Department of Transportation:			
Passed through State of Nebraska Department of Roads:			
Highway Planning and Construction	Various	20.205	9,442,402

(Continued)

**CITY OF OMAHA, NEBRASKA**  
 Schedule of Expenditures of Federal Awards  
 Year ended December 31, 2005



<u>Federal grantor/pass-through grantor/program title</u>	<u>Grant number</u>	<u>CFDA number</u>	<u>2005 expenditures</u>
U.S. Environmental Protection Agency:			
Direct Program—Brownfields Assessment	BP98719801	66.818	\$ 135,245
Passed through State of Nebraska Department of Environmental Quality:			
Air Pollution Control Program Support	BG997325-A1	66.001	70,500
Capitalization Grants for Clean Water State Revolving Funds	C317319	66.458	7,291,196
Total U.S. Environmental Protection Agency			<u>7,496,941</u>
Office of National Drug Control Policy:			
Direct Programs—High-Intensity Drug Trafficking Area	Various	NA	<u>338,984</u>
Total expenditures of federal awards			<u>\$ 39,104,962</u>

See accompanying independent auditors' report and notes to schedule of expenditures of federal awards.

**CITY OF OMAHA, NEBRASKA**

Notes to Schedule of Expenditures of Federal Awards

Year ended December 31, 2005



**(1) Reporting Entity**

The reporting entity for the schedule of expenditures of federal awards (SEFA) is the same as that disclosed in note 1 of the notes to the financial statements.

**(2) Basis of Accounting**

Amounts reported in the SEFA are on the accrual basis, while the amounts reported on federal financial reports are primarily on a cash basis.

**(3) Outstanding Loan Principal Balances**

The following is a list of the outstanding principal balances of Community Development Block Grant and related program loans due at December 31, 2005:

Target Area Program, Elderly/Handicapped, Conestoga Economic Development Fund, Rental Rehabilitation, Commercial Revitalization and Homestead	\$ 716,978	*
Omaha Small Business Network, Inc.—Small Business: Enterprise Zone	714,450	*
Seed Capital	<u>266,160</u>	*
Total	<u>\$ 1,697,588</u>	

The following is the outstanding principal balance of the HOME Investment Partnership Program at December 31, 2005:

HOME Investment Partnership Program	\$ <u>1,290,183</u>
-------------------------------------	---------------------

Current year loans of \$175,050 are included in the SEFA.

The following is a list of outstanding principal balances of capitalization grants for state revolving funds and related program loans at December 31, 2005:

Zorinsky Project	\$ 656,292	*
Capitalization Grants for Clean Water State Revolving Funds	16,646,795	*
Monroe Lift Station	<u>469,298</u>	*
Total	<u>\$ 17,772,385</u>	

\* The City has no continuing compliance requirements for these loans outstanding and is presented for informational purposes only.

**(4) Subrecipients**

The City granted federal awards in the form of pass-through awards to various subrecipients during the year ended December 31, 2005 in the amount of \$5,062,673.



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

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

We have audited the 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, 2005, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 9, 2006, which referred to other auditors and the implementation of a new accounting principle. 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. 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 has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for MECA, is based solely on the report of the other auditors.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and responses as item #05-02. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain matters that we reported to management of the City in a separate letter dated October 9, 2006.

This report is intended solely for the information and use of the Mayor, members of the City Council, management, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

KPMG LLP

Omaha, Nebraska  
October 9, 2006



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**Independent Auditors' Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control over  
Compliance in Accordance with OMB Circular A-133**

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

**Compliance**

We have audited the compliance of the City of Omaha, Nebraska (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

The City's financial statements include the operations of Metropolitan Entertainment and Convention Authority (MECA). Our audit, described below, did not include the operations of MECA.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

As described in item #05-01 in the accompanying schedule of findings and questioned costs, the City did not comply with the requirements regarding subrecipient monitoring that are applicable to its Home Investment Partnership Program. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

### **Internal Control over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and operations that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item #05-01.

A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is a material weakness.

This report is intended solely for the information and use of the Mayor, members of the City Council, management, and federal awarding agencies and pass-through entities and is not intended to be, and should not be used by anyone other than these specified parties.

**KPMG LLP**

Omaha, Nebraska  
October 9, 2006

**CITY OF OMAHA, NEBRASKA**  
Schedule of Findings and Questioned Costs  
December 31, 2005



**(1) Summary of Auditors' Results**

- (a) The type of report issued on the basic financial statements: *Unqualified opinion*
- (b) Reportable conditions in internal control were disclosed by the audit of the basic financial statements: *Yes*  
  
Material weaknesses: *No*
- (c) Noncompliance which is material to the basic financial statements: *No*
- (d) Reportable conditions in internal control over major programs: *Yes*  
  
Material weaknesses: *No*
- (e) The type of report issued on compliance for major programs: *Qualified*
- (f) Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: *Yes*
- (g) Major programs: *HOME Investment Partnership Program (14.239); Highway Planning and Construction (20.205); Homeland Security Cluster (97.067); Workforce Investment Act Cluster (17.258, 17.259, 17.260); and Capitalization Grants for Clear Water State Revolving Funds (66.458)*
- (h) Dollar threshold used to distinguish between Type A and Type B programs: *\$1,206,603*
- (i) Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: *No*

**(2) Findings Related to the Basic Financial Statements Reported in Accordance with *Government Auditing Standards***

***Finding #05-02***

The City does not utilize a qualified actuary to calculate its self-insurance reserve for workers' compensation. Several errors were identified in the application of their methodology that resulted in an audit adjustment. We recommend that the City utilize a qualified actuary to calculate the reserve in the future.

**Management Response:**

**Corrective Action Plan:** The City will engage a qualified actuary to calculate the reserve for the workers' compensation for future periods.

**Anticipated Completion Date:** November 2006

**Contact:** John Slobotski

**CITY OF OMAHA, NEBRASKA**  
Schedule of Findings and Questioned Costs  
December 31, 2005



**(3) Findings and Questioned Costs Relating to Federal Awards**

***Finding #05-01***

**Program:** CFDA# 14.239—HOME Investment Partnerships Program

**Federal Grantor Agency:** U.S. Department of Housing and Urban Development

**Criteria:** A pass-through entity is responsible for:

During-the-award monitoring—monitoring the subrecipient’s use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

Subrecipient Audits—(1) Ensuring that subrecipients expending more than \$300,000 (\$500,000 for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133, as revised) or more in Federal awards during the subrecipient’s fiscal year have met the audit requirements of OMB Circular A-133 and that the required audits are completed within nine months of the end of the subrecipient’s audit period, (2) issuing a management decision on audit findings within six months after receipt of the subrecipient’s audit report, and (3) ensuring that the subrecipient take timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

**Condition:** For the subrecipient selected, the A-133 audit report had not been obtained.

**Questioned Costs:** None.

**Context:** Although the City had obtained invoices to monitor allowability, no A-133 report was obtained.

**Cause:** No procedures in place to ensure compliance.

**Effect:** Noncompliance with subrecipient monitoring requirements.

**Recommendation:** We recommend the City develop procedures to ensure compliance and adequate controls are in place to ensure A-133 reports are obtained in a timely manner.

**Management Response:**

**Corrective Action Plan:** The A-133 report has been obtained and we will implement procedures to ensure A-133 reports are obtained in a timely manner in the future.

**Anticipated Completion Date:** October 2006

**Contact:** Al Herink