



CITY OF OMAHA, NEBRASKA

Basic Financial Statements and A-133 Reports

December 31, 2008

(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, 2008, 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 represent 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, 2008, 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 1 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 50, *Pension Disclosures*, an amendment of *GASB Statements No. 25 and No. 27*.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 26, 2009 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 and the Required Supplementary Information on pages 82 through 87 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 on page 88 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
August 26, 2009

CITY OF OMAHA, NEBRASKA
Management's Discussion and Analysis
Year ended December 31, 2008
(Unaudited)



The discussion and analysis of the City of Omaha's (the City) financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2008. 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 2008

- The assets of the City, on a governmentwide basis excluding component units, exceeded its liabilities at the close of fiscal year 2008 by \$574.4 million (net assets). Of this amount, \$23.4 million is unrestricted, while \$531.6 million is invested in capital assets net of related debt and \$19.4 million is restricted for specific purposes.
- The City's total net assets decreased by \$22.7 million from the prior year. Of this amount, \$16.9 million was a decrease in governmental activities and \$5.8 million was a decrease in business-type activities. The decrease in net assets related to governmental activities is primarily attributable to current year increases for net pension and postretirement benefits obligations in the amount of \$39.9 million. The decrease in business-type activities is primarily attributable to the loss by the Convention Center Hotel in the amount of \$1.4 million and the loss by the Sewer Fund in the amount of \$2.6 million.
- As of December 31, 2008, the City's governmental funds reported combined ending fund balances of \$77.6 million, a decrease of \$31.8 million in comparison with the prior year. Construction of capital assets account for \$25.8 million of this reduction and non-major special revenue funds accounted for a \$9.6 million reduction. These decreases were offset by increases in the General Fund balance of \$2.7 million and the major Debt Service Fund balance of \$2.5 million. Of the combined governmental funds ending fund balances, approximately 42%, or \$32.6 million, is unreserved.
- The general fund, on a current fiscal resources basis, reported a shortfall of revenues over expenditures, lapsed encumbrances, and transfers of \$.8 million. Revenues above budget in the amount of \$3.8 million and expenditures over budget, lapsed encumbrances, a shortfall in the initial credit and year-end transfers in the amount of \$1.9 million account for a 2008 year-end carryover reserve of \$1.9 million.
- At the end of the current fiscal year, the unreserved fund balance for the general fund was \$28.9 million, or 9.3% of general fund expenditures.
- The City's bond rating from Standard & Poor's was AAA and Moody's Investors Service rated the City's bonds AA1.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: (1) governmentwide 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 governmentwide 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 governmentwide statements.
 - Governmental fund statements tell how general government services like public safety were financed in the short term, as well as what amounts remain for future spending.
 - Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like a business, such as the City's sewage treatment plants or convention center hotel.
 - Fiduciary fund statements provide information about financial relationships in which the City acts solely as a trustee or agent for the benefit of others, to whom the pertaining resources belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Governmentwide Financial Statements

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

In the statement of net assets and the statement of activities, the City is divided into three categories:

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

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.

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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 (see note 1).

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

The City maintains 86 governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and debt service fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The City adopts an annual budget for the general fund, as required by the City Charter. A budgetary comparison statement is presented for the general fund using the City's budgetary basis of accounting. This statement reflects the following: (a) the original budget, (b) the final budget as amended, (c) actual results, and (d) the variance between the final budget and actual results. Because the budgetary basis of accounting differs from the modified accrual basis used in the funds statements, a reconciliation is provided at the end of the statement.

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 governmentwide 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 governmentwide financial statements. The City uses enterprise funds to account for its sewer system, air

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quality control enforcement, compost operation, marina, golf courses, tennis operation, river plaza facility, parking facilities, printing services, citywide sports, and hotel.

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

Fiduciary funds – The City is the trustee, or fiduciary, for certain donated funds. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose. These activities are reported in a separate statement of fiduciary net assets. The City excludes this activity from its governmentwide financial statements because the City cannot use these assets to finance its operations. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the governmentwide and fund financial statements. The notes to the financial statements can be found on pages 25 through 81 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 2008 budget information and the City's progress in funding its obligation in both pension and other postemployment benefits. Required supplementary information can be found on pages 82 through 87 of this report.

City Governmentwide Financial Analysis

As noted earlier, 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 \$575 million at the close of fiscal year 2008. By far, the largest portion of the City's net assets (93%) reflects its investment in capital assets (e.g., land, building, equipment, and infrastructure), less accumulated depreciation, and less any related outstanding debt used to acquire those assets. The City uses these assets to provide services to its citizens, and consequently, these assets are not available for future spending. The resources needed to repay the debt related to these capital assets must be provided from other sources.

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

City of Omaha

Summary of Net Assets

| | Governmental activities | | Business-type activities | | Total primary government | |
|--|--------------------------------|--------------|---------------------------------|-------------|---------------------------------|--------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Current and other assets | \$ 267 | 276 | 61 | 76 | 328 | 352 |
| Capital assets | 1,005 | 932 | 484 | 477 | 1,489 | 1,409 |
| Total assets | <u>\$ 1,272</u> | <u>1,208</u> | <u>545</u> | <u>553</u> | <u>1,817</u> | <u>1,761</u> |
| Current and other liabilities | \$ 41 | 41 | 10 | 9 | 51 | 50 |
| Long-term liabilities | 920 | 839 | 271 | 275 | 1,191 | 1,114 |
| Total liabilities | <u>961</u> | <u>880</u> | <u>281</u> | <u>284</u> | <u>1,242</u> | <u>1,164</u> |
| Net assets: | | | | | | |
| Invested in capital assets net of related debt | 297 | 261 | 236 | 222 | 533 | 483 |
| Restricted net assets | 15 | 17 | 4 | 7 | 19 | 24 |
| Unrestricted net assets | (1) | 50 | 24 | 40 | 23 | 90 |
| Total net assets | <u>311</u> | <u>328</u> | <u>264</u> | <u>269</u> | <u>575</u> | <u>597</u> |
| Total liabilities and net assets | <u>\$ 1,272</u> | <u>1,208</u> | <u>545</u> | <u>553</u> | <u>1,817</u> | <u>1,761</u> |

Approximately 3%, or \$19 million, of the City's net assets represent resources that are subject to external restrictions on their use. The remaining balance of unrestricted net assets, 4% or \$23 million, may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental Activities

Net assets of the City's governmental activities decreased \$17 million (5%) to \$311 million. This deficit does not mean that the City does not have the resources available to pay its current liabilities. Rather, it is the result of having long-term commitments that are greater than current available resources. Specifically, the City did not include in past annual budgets the full amounts needed to finance future liabilities arising from compensated absences (\$65 million), Civilian employees, Policemen's and Firemen's net pension obligation (\$76 million) and post-employment benefits (\$36 million). The City will include these amounts in future years' as they become due.

Business-Type Activities

The net assets of the City's business-type activities decreased from approximately \$269 million to \$264 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 \$2.6 million loss incurred by the Sewer Revenue Fund.

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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 | |
|--|--------------------------------|--------------|---------------------------------|--------------|---------------------------------|--------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 56.5 | 61.9 | 60.3 | 56.9 | 116.8 | 118.8 |
| Operating grants and contributions | 82.6 | 76.4 | — | — | 82.6 | 76.4 |
| Capital grants and contributions | 30.1 | 29.6 | 4.5 | 4.5 | 34.6 | 34.1 |
| General revenues: | | | | | | |
| Sales and use tax | 124.5 | 116.1 | — | — | 124.5 | 116.1 |
| Property tax | 119.0 | 114.9 | — | — | 119.0 | 114.9 |
| Other taxes | 49.3 | 45.3 | — | — | 49.3 | 45.3 |
| Unrestricted investment earnings | 4.7 | 6.7 | 1.6 | 2.8 | 6.3 | 9.5 |
| Other | — | (0.1) | — | — | — | (0.1) |
| Total revenues | <u>466.7</u> | <u>450.8</u> | <u>66.4</u> | <u>64.2</u> | <u>533.1</u> | <u>515.0</u> |
| Expenses: | | | | | | |
| General government | 95.9 | 93.3 | — | — | 95.9 | 93.3 |
| Public safety | 205.8 | 182.9 | — | — | 205.8 | 182.9 |
| Transportation services | 60.7 | 53.2 | — | — | 60.7 | 53.2 |
| Other public services | 17.4 | 15.7 | — | — | 17.4 | 15.7 |
| Community development | 25.7 | 19.5 | — | — | 25.7 | 19.5 |
| Culture and parks | 41.0 | 44.9 | — | — | 41.0 | 44.9 |
| Interest on long-term debt | 36.5 | 34.7 | — | — | 36.5 | 34.7 |
| Convention Center Hotel | — | — | 11.1 | 11.3 | 11.1 | 11.3 |
| Sewage treatment | — | — | 49.5 | 45.5 | 49.5 | 45.5 |
| Other | — | — | 12.2 | 11.4 | 12.2 | 11.4 |
| Total expenses | <u>483.0</u> | <u>444.2</u> | <u>72.8</u> | <u>68.2</u> | <u>555.8</u> | <u>512.4</u> |
| Increase (decrease) in net assets before transfers | (16.3) | 6.6 | (6.4) | (4.0) | (22.7) | 2.6 |
| Transfers | (0.6) | 8.4 | 0.6 | 7.1 | — | 15.5 |
| Increase (decrease) in net assets | (16.9) | 15.0 | (5.8) | 3.1 | (22.7) | 18.1 |
| Net assets at beginning of year | <u>327.4</u> | <u>312.4</u> | <u>269.7</u> | <u>266.6</u> | <u>597.1</u> | <u>579.0</u> |
| Net assets at end of year | <u>\$ 310.5</u> | <u>327.4</u> | <u>263.9</u> | <u>269.7</u> | <u>574.4</u> | <u>597.1</u> |

Governmental Activities

The City's total revenues from governmental activities were \$466.7 million for the fiscal year ended December 31, 2008. The largest source of revenue (\$124.5 million for fiscal year 2008) for the City is sales and use tax. Net sales and use tax increased by \$8.4 million (7.2%) during 2008.

In 2008, property tax revenue increased by \$4.1 million when compared to 2007. The City has maintained the same real estate tax rate (43.387 cents per \$100 of assessed value) since 2002. Property tax valuations for 2008 increased 4.7% when compared to 2007 valuations.

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The City's expenses for governmental activities cover a wide range of services, with 43%, or \$205.8 million, for fiscal year 2008 related to public safety and 13%, or \$60.7 million, for fiscal year 2008 for transportation services. Overall, the expenses for governmental activities increased by 10% or \$38.8 million in 2008, which can be largely, attributed to a \$22.9 million increase in public safety expenses, \$7.5 million increase in transportation services expenses and \$6.2 million increase in community development expenses.

Business-Type Activities

Net assets of the City's business-type activities decreased by \$5.8 million. Presented below is the change of net assets by the major enterprise funds and the other nonmajor enterprise funds.

| Fund | Amount |
|---------------------------------|----------------|
| Convention Center Hotel | \$ (1,398,702) |
| Parking Facilities | (684,343) |
| Sewer Revenue | (2,581,570) |
| Other nonmajor enterprise funds | (1,144,991) |

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.

In May 2009 the City Council enacted an ordinance increasing sewer use fees 9% annually beginning in 2010 through 2014. The action will eliminate future deficits and provide funding for the sewer system's capital improvements.

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

Financial Analysis of the Government's Funds

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

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 City Charter. For the fiscal year ended

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December 31, 2008, the governmental funds reported combined ending fund balances of \$77.5 million, a decrease of \$31.8 million in comparison with the prior year. The construction of capital assets caused a reduction of fund balance in capital funds of 26.1 million and an increase in deferred revenues in the special revenue funds of \$14.6 million accounted for the remainder of this reduction. Increases in the General Fund and major Debt Service Fund in the aggregate amount of \$5.2 million offset this reduction.

Approximately 42%, or \$32.6 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 (\$15.6 million)
- Pay debt service (\$26.0 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, 2008, not designated for a specific purpose, is \$28.9 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 11% of the total fund balance to total fund expenditures, while the total fund balance represents 12% of that same amount. The total fund balance of the general fund increased by \$2.7 million for fiscal year 2008. For budgeting purposes only, the 2007 and 2008 budget surpluses of \$3.9 million and \$1.9 million, respectively, are available for appropriation for governmental use.

The other major governmental fund is the Debt Service Fund. The Debt Service Fund has a total fund balance of \$19.0 million, all of which will be used to for either payment of debt service on the City's general obligation debt or payment of debt issuance costs.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the governmentwide 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 (\$25.2) million, (\$5.8) million, \$291.0 million, and \$3.9 million, respectively, at December 31, 2008. 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

December 31, 2008

(In millions)

| | <u>Original budget</u> | <u>Final budget</u> | <u>Actual</u> |
|---|----------------------------|-------------------------|---------------|
| Revenues: | | | |
| Taxes | \$ 223.6 | 223.6 | 225.6 |
| Intergovernmental | 8.9 | 8.9 | 9.4 |
| Other | 33.3 | 33.3 | 34.6 |
| Total | <u>265.8</u> | <u>265.8</u> | <u>269.6</u> |
| Expenditures, lapsed encumbrances, and transfers | <u>269.0</u> | <u>269.0</u> | <u>270.9</u> |
| Total | <u>269.0</u> | <u>269.0</u> | <u>270.9</u> |
| Changes in fund balance | <u>\$ (3.2)</u> | <u>(3.2)</u> | <u>(1.3)</u> |

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 2008, one transfer occurred. It appropriated funds from the wage adjustment to the Fire Department to fund compensated leave payoffs.

Significant variances between the general fund's actual revenues and expenditures and the final amended budget are summarized as follows:

- Sales tax revenue was \$.5 million below budget.
- Interest earnings was \$.6 million below budget.
- Business taxes were \$1.2 million above budget.
- Charges for services were \$1.5 million above budget.
- The Mayor's Office, City Clerk, Law, Human Rights and Relations, Public Works Library departments, Retiree Benefits, Outside Agencies and Contingency & Other collectively were \$5.6 million below budget.

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- City Council, Human Resources, Finance, Planning, Parks, Recreation and Public Property, Fire and Police Departments were \$6.7 million above 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, 2008 is \$1.5 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 5.7% (an increase of 7.8% for governmental activities and an increase of 1.6% for business-type activities).

City of Omaha's Capital Assets

(Net of accumulated depreciation)

(In millions)

| | Governmental activities | | Business-type activities | | Total | |
|--------------------------|--------------------------------|--------------|---------------------------------|--------------|----------------|----------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Land | \$ 133.0 | 125.0 | 5.2 | 5.0 | 138.2 | 130.0 |
| Cultural assets | 5.8 | 5.8 | 0.5 | 0.5 | 6.3 | 6.3 |
| Construction in progress | 19.5 | 68.5 | 45.9 | 32.2 | 65.4 | 100.7 |
| Buildings | 385.2 | 379.9 | 428.0 | 432.9 | 813.2 | 812.8 |
| Machinery and equipment | 23.0 | 18.3 | 4.9 | 6.2 | 27.9 | 24.5 |
| Infrastructure | 438.4 | 334.4 | — | — | 438.4 | 334.4 |
| Total | <u>\$ 1,004.9</u> | <u>931.9</u> | <u>484.5</u> | <u>476.8</u> | <u>1,489.4</u> | <u>1,408.7</u> |

Major capital asset events during 2008 included the following:

- Construction began the L Street Interstate 80 to 126th Project; current year expenditures were \$4.1 million.
- Construction continued on the Harrison Street -47th to 71st streets; current year expenditures were \$4.3 million.
- Construction continued on the City's sewer system including the Combined Sewer Overflow Program with capital outlays of \$22.4 million.
- Construction continued on the Saddlebrook Community Center / Library Project; current year expenditures were \$4.1 million.
- Construction continued on the Americans with Disabilities Street Ramp Project; current year expenditures were \$1.5 million.
- Construction began on the Downtown Ballpark Project; current year expenditures were \$10.6 million.
- Construction continues on the City's Public Safety Training Center; current year expenditures were \$3.8 million.

CITY OF OMAHA, NEBRASKA
 Management's Discussion and Analysis
 Year ended December 31, 2008
 (Unaudited)



- The City provided \$1.8 million of funding for the seating expansion project on the Qwest Convention Center and Arena.
- Construction in progress city wide totaled \$65.4 million.
- Annual city wide depreciation expense for governmental activities in 2008 amounted to \$31.9 million.

Additional information on the City's capital assets can be found in note 10 to the financial statements on pages 65 through 69 of this report.

Long-Term Debt

At December 31, 2008, the City had total bonded debt outstanding of \$977.2 million (including notes payable). Of this amount, \$558.1 million is general obligation debt backed by the full faith and credit of the City; \$165.2 million of revenue bonds secured solely by specified revenue sources; \$83.8 million of special obligation bonds backed by a variety of revenue sources, including sales tax and property tax; \$44.0 million of special tax revenue bonds backed by a redevelopment property tax levy; \$87.6 million of lease purchase bonds backed by annual General Fund appropriations; and \$38.5 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 | |
|---------------------------|-------------------------|--------------|--------------------------|--------------|--------------|--------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| General obligation bonds | \$ 558.1 | 536.8 | — | — | 558.1 | 536.8 |
| Revenue bonds | 2.2 | 2.4 | 163.0 | 164.2 | 165.2 | 166.6 |
| Special obligation bonds | 64.5 | 58.7 | 19.3 | 19.9 | 83.8 | 78.6 |
| Special tax revenue bonds | 44.0 | 40.4 | — | — | 44.0 | 40.4 |
| Lease purchase bonds | 41.3 | 37.4 | 46.3 | 47.9 | 87.6 | 85.3 |
| Notes payable | 3.6 | 3.3 | 34.9 | 37.1 | 38.5 | 40.4 |
| Total | <u>\$ 713.7</u> | <u>679.0</u> | <u>263.5</u> | <u>269.1</u> | <u>977.2</u> | <u>948.1</u> |

During 2008, the City's total debt increased by \$29.1 million (3%). In 2008, the City annexed 12 Sanitary Improvement Districts (SID). At the time of annexation, the City assumed all assets and debts of the annexed areas. Upon annexation, the City assumed \$37.7 million of SID debt. The annexation of these areas accounts 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 2009, Standard & Poor's upgraded its rating of the Sewer Revenue Bonds from Aa- to Aa.

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, 2008 is \$388.8 million.

CITY OF OMAHA, NEBRASKA
Management's Discussion and Analysis
Year ended December 31, 2008
(Unaudited)



Additional information on the City's long-term debt can be found in notes 6 and 7 to the financial statements on pages 40 through 55 of this report.

Economic Factors and Next Year's Budgets and Rates

- The City's projected property tax base for 2010 is \$26.9 billion. This is a slight increase over 2009 of \$364 million or 1.3%. This includes revaluations of existing properties and new growth within the City. No annexations are planned in 2009.
- Budget basis net Sales tax collections have increased by 4.4% and 2.4% over each of the past two years, respectively, with current net collections through August 2009 showing an increase over the same period in 2008 of 1.3%.
- Overall general fund revenue collections for 2009 are projected to be \$8.9 million below budget or 3.2% due primarily Sales tax receipts.

All of these factors were considered in preparing the City's budget for the 2010 fiscal year.

During 2008, the unreserved fund balance in the general fund was \$28.9 million. The City appropriated \$3.9 million of this amount for spending in the 2009 fiscal year budget and \$1.9 million will be appropriated for spending in the 2010 fiscal year budget. This amount represents the 2007 and 2008 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, NE 68183.

CITY OF OMAHA, NEBRASKA

Statement of Net Assets

December 31, 2008



| Assets | Primary government | | | Component unit |
|---|-------------------------|--------------------------|---------------|----------------|
| | Governmental activities | Business-type activities | Total | MECA |
| Cash and cash equivalents | \$ 30,863,874 | 23,041,214 | 53,905,088 | 10,346,088 |
| Pooled investments | 25,413,441 | 6,690,323 | 32,103,764 | 14,476,883 |
| Receivables (net of allowance for uncollectibles) | 139,685,901 | 4,397,217 | 144,083,118 | 553,177 |
| Due from other governments | 56,972,034 | 53,224 | 57,025,258 | — |
| Accrued interest | 516,810 | 197,212 | 714,022 | — |
| Inventories | 647,796 | 791,553 | 1,439,349 | — |
| Deferred charges and other assets | 6,596,299 | 3,274,925 | 9,871,224 | 1,696,524 |
| Restricted assets: | | | | |
| Deposits with trustee | 5,951,028 | 18,903,511 | 24,854,539 | — |
| Pooled investments | — | 3,309,677 | 3,309,677 | — |
| Capital assets: | | | | |
| Nondepreciable | 158,360,082 | 51,523,269 | 209,883,351 | — |
| Depreciable | 846,583,194 | 432,980,193 | 1,279,563,387 | 17,229,426 |
| Total assets | \$ 1,271,590,459 | 545,162,318 | 1,816,752,777 | 44,302,098 |
| Liabilities and Net Assets | | | | |
| Liabilities: | | | | |
| Accounts payable and other | \$ 31,316,143 | 6,157,079 | 37,473,222 | 1,734,675 |
| Accrued interest payable | 7,687,640 | 3,598,437 | 11,286,077 | — |
| Due to other governments | 1,698,364 | — | 1,698,364 | — |
| Unearned revenue | 240,116 | — | 240,116 | — |
| Long-term liabilities: | | | | |
| Net pension obligation | 76,060,855 | 3,029,818 | 79,090,673 | — |
| Post retirement benefit obligation | 35,844,583 | 2,168,369 | 38,012,952 | — |
| Other liabilities | — | — | — | 11,328,727 |
| Compensated absences: | | | | |
| Due within one year | 3,398,254 | 90,038 | 3,488,292 | — |
| Due in more than one year | 64,566,820 | 1,876,961 | 66,443,781 | — |
| Grants payable: | | | | |
| Due within one year | 2,600,000 | — | 2,600,000 | — |
| Due in more than one year | 2,175,000 | — | 2,175,000 | — |
| Claims and judgments: | | | | |
| Due within one year | 1,917,000 | — | 1,917,000 | — |
| Workers' compensation and healthcare claims: | | | | |
| Due within one year | 8,407,778 | 579,596 | 8,987,374 | — |
| Due in more than one year | 12,498,908 | 685,124 | 13,184,032 | — |
| Bonds, notes, and leases payable: | | | | |
| Due within one year | 37,411,854 | 6,133,039 | 43,544,893 | 1,002,226 |
| Due in more than one year | 675,180,528 | 256,990,661 | 932,171,189 | 6,814,757 |
| Total liabilities | 961,003,843 | 281,309,122 | 1,242,312,965 | 20,880,385 |
| Net assets: | | | | |
| Invested in capital assets, net of related debt | 295,937,697 | 235,667,494 | 531,605,191 | 9,412,444 |
| Restricted for: | | | | |
| Debt service | — | 4,248,375 | 4,248,375 | — |
| Highway and streets | 7,220,295 | — | 7,220,295 | — |
| Perpetual care: | | | | |
| Expendable | 4,525 | — | 4,525 | — |
| Nonexpendable | 2,775,389 | — | 2,775,389 | — |
| Community improvement and judgments | 5,189,598 | — | 5,189,598 | — |
| Unrestricted | (540,888) | 23,937,327 | 23,396,439 | 14,009,269 |
| Total net assets | 310,586,616 | 263,853,196 | 574,439,812 | 23,421,713 |
| Total liabilities and net assets | \$ 1,271,590,459 | 545,162,318 | 1,816,752,777 | 44,302,098 |

See accompanying notes to basic financial statements.

CITY OF OMAHA, NEBRASKA
Statement of Activities
Year ended December 31, 2008



| Functions/programs: | Program revenues | | | Net revenue (expense) and changes in net assets | | | Component unit | |
|---------------------------------------|-----------------------|----------------------|------------------------------------|---|-------------------------|--------------------------|----------------|------|
| | Expenses | Charges for services | Operating grants and contributions | Capital grants and contributions | Primary government | | | MECA |
| | | | | | Governmental activities | Business-type activities | | |
| Primary government: | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government | \$ 95,914,300 | 5,729,600 | 9,786,225 | — | (80,398,475) | (80,398,475) | — | |
| Public safety | 205,824,014 | 15,812,344 | 11,470,050 | — | (178,541,620) | (178,541,620) | — | |
| Transportation services | 60,683,765 | 18,848,115 | 1,927,782 | 16,664,619 | (23,243,249) | (23,243,249) | — | |
| Other public services | 17,366,093 | 6,205,471 | 558,000 | — | (10,602,622) | (10,602,622) | — | |
| Community development | 25,723,952 | 6,397,642 | 17,349,171 | 1,997,957 | 20,818 | 20,818 | — | |
| Culture and parks | 40,980,138 | 3,545,845 | 41,524,525 | 11,466,699 | 15,556,931 | 15,556,931 | — | |
| Interest on long-term debt | 36,519,588 | — | — | — | (36,519,588) | (36,519,588) | — | |
| Total governmental activities | 483,011,850 | 56,539,017 | 82,615,753 | 30,129,275 | (313,727,805) | (313,727,805) | — | |
| Business-type activities: | | | | | | | | |
| Convention center hotel | 11,114,593 | 8,918,038 | — | — | (2,196,555) | (2,196,555) | — | |
| Parking | 4,809,194 | 4,115,811 | — | — | (693,383) | (693,383) | — | |
| Sewer | 49,533,194 | 41,194,630 | — | 4,565,282 | (3,773,282) | (3,773,282) | — | |
| Dodge Park | 475,699 | 550,236 | — | — | 74,537 | 74,537 | — | |
| Tennis | 398,917 | 267,683 | — | — | (131,234) | (131,234) | — | |
| Golf | 4,261,395 | 3,441,617 | — | — | (819,778) | (819,778) | — | |
| Citywide Sports | 121,433 | 148,420 | — | — | 26,987 | 26,987 | — | |
| River Front Plaza and Marina | 73,226 | 38,350 | — | — | (34,876) | (34,876) | — | |
| Air quality | 656,718 | 509,037 | — | — | (147,681) | (147,681) | — | |
| Compost | 898,712 | 561,151 | — | — | (337,561) | (337,561) | — | |
| Printing and graphics | 460,109 | 543,339 | — | — | 83,230 | 83,230 | — | |
| Total business-type activities | 72,803,190 | 60,288,312 | — | 4,565,282 | (7,949,596) | (7,949,596) | — | |
| Total primary government | \$ 555,815,040 | 116,827,329 | 82,615,753 | 34,694,557 | (313,727,805) | (321,677,401) | — | |
| Component unit: | | | | | | | | |
| MECA | \$ 27,211,194 | 29,865,018 | 1,815,000 | — | — | — | 4,468,824 | |
| General revenues: | | | | | | | | |
| Property taxes | | | | | | | | |
| Motor vehicle taxes | | 118,979,538 | | | | 118,979,538 | | |
| Sales and use taxes | | 9,374,405 | | | | 9,374,405 | | |
| Business taxes | | 124,470,354 | | | | 124,470,354 | | |
| Payments in lieu of taxes | | 33,963,566 | | | | 33,963,566 | | |
| Unrestricted investment earnings | | 5,898,722 | | | | 5,898,722 | | |
| Transfers | | 4,720,079 | | | | 4,720,079 | | |
| | | (558,601) | | | | 558,601 | | |
| | | 296,848,063 | | | | 296,848,063 | | |
| | | (16,879,742) | | | | (16,879,742) | | |
| | | 327,466,358 | | | | 327,466,358 | | |
| | | \$ 310,586,616 | | | | 263,853,196 | | |
| | | | | | | 574,439,812 | | |
| | | | | | | 298,988,053 | | |
| | | | | | | (22,689,348) | | |
| | | | | | | 597,129,160 | | |
| | | | | | | 574,439,812 | | |
| | | | | | | 984,508 | | |
| | | | | | | 984,508 | | |
| | | | | | | 5,453,332 | | |
| | | | | | | 17,968,381 | | |
| | | | | | | 23,421,713 | | |

See accompanying notes to basic financial statements.

CITY OF OMAHA, NEBRASKA

Balance Sheet
Governmental Funds
December 31, 2008



| Assets | General | Debt service fund | Other governmental funds | Total governmental funds |
|--|----------------|-------------------------|--------------------------------|--------------------------------|
| Cash and cash equivalents | \$ — | 16,071,138 | 14,792,736 | 30,863,874 |
| Investments | 17,922,031 | 2,713,817 | 4,777,593 | 25,413,441 |
| Receivables, net of allowance for uncollectibles | 78,555,523 | 50,034,634 | 11,095,744 | 139,685,901 |
| Due from other governments | 22,956,818 | 350,693 | 33,664,523 | 56,972,034 |
| Accrued interest | 473,762 | — | 43,048 | 516,810 |
| Inventories | 647,796 | — | — | 647,796 |
| Other assets | 7,612 | — | — | 7,612 |
| Restricted assets: | | | | |
| Deposits with trustee | — | — | 5,951,028 | 5,951,028 |
| Total assets | \$ 120,563,542 | 69,170,282 | 70,324,672 | 260,058,496 |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable and other | \$ 21,700,226 | 177,980 | 8,496,271 | 30,374,477 |
| Due to other funds | 887,673 | — | 53,994 | 941,667 |
| Due to other governments | 1,698,364 | — | — | 1,698,364 |
| Unearned revenue | — | — | 240,116 | 240,116 |
| Deferred revenue | 64,610,865 | 50,016,058 | 34,630,316 | 149,257,239 |
| Total liabilities | 88,897,128 | 50,194,038 | 43,420,697 | 182,511,863 |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Encumbrances | 2,162,667 | 7,980 | 13,432,100 | 15,602,747 |
| Inventories | 647,796 | — | — | 647,796 |
| Debt service | — | 18,968,264 | 6,994,290 | 25,962,554 |
| Perpetual care | — | — | 2,775,389 | 2,775,389 |
| Unreserved, reported in: | | | | |
| General fund | 28,855,951 | — | — | 28,855,951 |
| Special revenue funds | — | — | 19,190,703 | 19,190,703 |
| Capital projects funds | — | — | (15,493,032) | (15,493,032) |
| Permanent funds | — | — | 4,525 | 4,525 |
| Total fund balances | 31,666,414 | 18,976,244 | 26,903,975 | 77,546,633 |
| Total liabilities and fund balances | \$ 120,563,542 | 69,170,282 | 70,324,672 | 260,058,496 |
| 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 | | | | 1,004,943,276 |
| Revenues earned during the current period are not available as resources and, therefore, are recognized as deferred revenue in the funds | | | | 149,257,239 |
| Bond costs of issuance are capitalized at the governmentwide level and amortized over the life of the related bonds | | | | 6,588,688 |
| 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 | | | | (927,749,220) |
| Net assets of governmental activities | | | | \$ 310,586,616 |

See accompanying notes to basic financial statements.

CITY OF OMAHA, NEBRASKA

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

Year ended December 31, 2008



| | <u>General</u> | <u>Debt service fund</u> | <u>Other governmental funds</u> | <u>Total governmental funds</u> |
|--|----------------|----------------------------------|---|---|
| Revenues: | | | | |
| Taxes: | | | | |
| Property | \$ 61,795,651 | 44,536,698 | 6,052,261 | 112,384,610 |
| Motor vehicle | 9,374,405 | — | — | 9,374,405 |
| City sales and use | 124,470,354 | — | — | 124,470,354 |
| Business | 33,963,566 | — | 286,005 | 34,249,571 |
| In lieu | 5,817,788 | 74,595 | 6,339 | 5,898,722 |
| Licenses and permits | 8,022,731 | — | — | 8,022,731 |
| Intergovernmental | 3,619,494 | 2,404,736 | 35,251,588 | 41,275,818 |
| Investment income | 3,479,394 | 252,094 | 988,591 | 4,720,079 |
| Revenue from Keno | — | — | 7,455,212 | 7,455,212 |
| Charges for services | 19,842,674 | 2,570,653 | 22,933,996 | 45,347,323 |
| Special assessments | — | — | 430,022 | 430,022 |
| Rents and royalties | 1,790,604 | — | 935,814 | 2,726,418 |
| Contributions and grants | — | 9,871,383 | 46,943,803 | 56,815,186 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total revenues | 272,176,661 | 59,710,159 | 121,283,631 | 453,170,451 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 34,654,790 | 1,253,829 | 16,888,582 | 52,797,201 |
| Public safety | 181,542,753 | — | 15,565,896 | 197,108,649 |
| Transportation services | 932,525 | — | 47,691,207 | 48,623,732 |
| Other public services | 13,836,939 | — | 3,093,024 | 16,929,963 |
| Community development | 6,607,381 | — | 18,427,767 | 25,035,148 |
| Culture and parks | 24,556,217 | — | 5,765,441 | 30,321,658 |
| Debt service: | | | | |
| Principal | 2,640,599 | 33,751,890 | 36,395,026 | 72,787,515 |
| Interest | 3,915,747 | 25,519,033 | 5,519,894 | 34,954,674 |
| Bond issuance costs | — | 1,264,300 | 82,160 | 1,346,460 |
| Capital outlay | 914,112 | — | 75,778,808 | 76,692,920 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total expenditures | 269,601,063 | 61,789,052 | 225,207,805 | 556,597,920 |
| Excess (deficiency) of revenues over expenditures | <hr/> | <hr/> | <hr/> | <hr/> |
| | 2,575,598 | (2,078,893) | (103,924,174) | (103,427,469) |
| Other financing sources (uses): | | | | |
| Transfers in | 322,162 | — | 357,076 | 679,238 |
| Transfers out | (200,000) | — | (1,037,839) | (1,237,839) |
| Sale of capital assets | — | — | 421,700 | 421,700 |
| Proceeds from sale of bonds | — | 79,220,000 | 67,263,605 | 146,483,605 |
| Proceeds/payments from bond premium/discount | — | 4,408,251 | (57,445) | 4,350,806 |
| Payment to refunded bond escrow agent | — | (79,064,654) | — | (79,064,654) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total other financing sources | 122,162 | 4,563,597 | 66,947,097 | 71,632,856 |
| Net change in fund balances | 2,697,760 | 2,484,704 | (36,977,077) | (31,794,613) |
| Fund balances – beginning of year | <hr/> | <hr/> | <hr/> | <hr/> |
| | 28,968,654 | 16,491,540 | 63,881,052 | 109,341,246 |
| Fund balances – end of year | <hr/> | <hr/> | <hr/> | <hr/> |
| | \$ 31,666,414 | 18,976,244 | 26,903,975 | 77,546,633 |

See accompanying notes to basic financial statements.

CITY OF OMAHA, NEBRASKA

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



Year ended December 31, 2008

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

| | |
|---|-------------------------------|
| Net change in fund balances – total governmental funds | \$ (31,794,613) |
| 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. | 44,792,521 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | 41,342,911 |
| The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | (33,032,604) |
| 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>(38,187,957)</u> |
| Change in net assets of governmental activities | <u><u>\$ (16,879,742)</u></u> |

See accompanying notes to basic financial statements.

CITY OF OMAHA, NEBRASKA

Statement of Fund Net Assets –
Proprietary Funds

December 31, 2008



| Assets | Convention center hotel fund | Parking facilities fund | Sewer revenue fund | Other enterprise funds funds | Total proprietary funds funds |
|--|------------------------------------|-------------------------------|--------------------------|---------------------------------------|--|
| Current assets: | | | | | |
| Cash and cash equivalents | \$ — | 98,345 | 22,754,120 | 188,749 | 23,041,214 |
| Investments | — | — | 6,690,323 | — | 6,690,323 |
| Accounts receivable (net of allowance for uncollectibles) | — | — | 4,289,930 | 107,287 | 4,397,217 |
| Accrued interest receivable | — | 185,288 | 9,264 | 2,660 | 197,212 |
| Prepaid assets | 974,528 | 267,436 | — | 3,319 | 1,245,283 |
| Due from other funds | — | — | 206,001 | — | 206,001 |
| Due from other governments | — | — | — | 53,224 | 53,224 |
| Inventories | — | — | 787,507 | 4,046 | 791,553 |
| Total current assets | 974,528 | 551,069 | 34,737,145 | 359,285 | 36,622,027 |
| Noncurrent assets: | | | | | |
| Restricted assets: | | | | | |
| Deposits with trustee | 18,628,322 | 275,189 | — | — | 18,903,511 |
| Investments | — | — | 3,309,677 | — | 3,309,677 |
| Deferred charges | 1,057,233 | 208,276 | 764,134 | — | 2,029,643 |
| Total noncurrent assets | 19,685,555 | 483,465 | 4,073,811 | — | 24,242,831 |
| Capital assets: | | | | | |
| Land | — | 2,473,344 | 2,682,270 | — | 5,155,614 |
| Buildings and systems | 71,258,240 | 61,006,300 | 578,380,528 | 9,558,419 | 720,203,487 |
| Furniture and fixtures | 6,833,038 | — | — | 12,704 | 6,845,742 |
| Machinery and equipment | 3,633,542 | — | 16,907,916 | 3,680,441 | 24,221,899 |
| Cultural assets | 498,366 | — | — | — | 498,366 |
| Construction in progress | — | — | 45,783,909 | 85,380 | 45,869,289 |
| | 82,223,186 | 63,479,644 | 643,754,623 | 13,336,944 | 802,794,397 |
| Less accumulated depreciation | 17,221,865 | 23,526,795 | 270,654,681 | 6,887,596 | 318,290,937 |
| Capital assets, net | 65,001,321 | 39,952,849 | 373,099,942 | 6,449,348 | 484,503,460 |
| Total noncurrent assets | 84,686,876 | 40,436,314 | 377,173,753 | 6,449,348 | 508,746,291 |
| Total assets | \$ 85,661,404 | 40,987,383 | 411,910,898 | 6,808,633 | 545,368,318 |
| Liabilities and Net Assets | | | | | |
| Current liabilities: | | | | | |
| Accounts payable and other | \$ 3,960 | 533,578 | 5,400,482 | 185,974 | 6,123,994 |
| Current installments of long-term debt | — | 2,140,000 | 3,968,039 | 25,000 | 6,133,039 |
| Workers' compensation and healthcare claims | — | — | 437,679 | 141,917 | 579,596 |
| Accrued interest payable | 2,177,817 | 650,081 | 770,539 | — | 3,598,437 |
| Due to other funds | 206,001 | — | 26,759 | 6,325 | 239,085 |
| Compensated absences | — | — | 73,513 | 16,525 | 90,038 |
| Total current liabilities | 2,387,778 | 3,323,659 | 10,677,011 | 375,741 | 16,764,189 |
| Noncurrent liabilities: | | | | | |
| Long-term debt, excluding current installments | 108,518,531 | 43,466,756 | 104,583,049 | 422,325 | 256,990,661 |
| Pension obligation | — | — | 2,184,420 | 845,398 | 3,029,818 |
| Postretirement benefit obligation | — | — | 1,563,339 | 605,030 | 2,168,369 |
| Workers' compensation and healthcare claims | — | — | 474,152 | 210,972 | 685,124 |
| Compensated absences | — | — | 1,396,756 | 480,205 | 1,876,961 |
| Total noncurrent liabilities | 108,518,531 | 43,466,756 | 110,201,716 | 2,563,930 | 264,750,933 |
| Total liabilities | 110,906,309 | 46,790,415 | 120,878,727 | 2,939,671 | 281,515,122 |
| Net assets: | | | | | |
| Invested in capital assets, net of related debt | (29,267,210) | (5,653,907) | 264,586,588 | 6,002,023 | 235,667,494 |
| Restricted for debt service | 3,973,186 | 275,189 | — | — | 4,248,375 |
| Unrestricted | 49,119 | (424,314) | 26,445,583 | (2,133,061) | 23,937,327 |
| Total net assets | (25,244,905) | (5,803,032) | 291,032,171 | 3,868,962 | 263,853,196 |
| Total liabilities and net assets | \$ 85,661,404 | 40,987,383 | 411,910,898 | 6,808,633 | 545,368,318 |

See accompanying notes to basic financial statements.

CITY OF OMAHA, NEBRASKA

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

Year ended December 31, 2008



| | <u>Convention center hotel fund</u> | <u>Parking facilities fund</u> | <u>Sewer revenue fund</u> | <u>Other enterprise funds</u> | <u>Total proprietary funds</u> |
|--|---|--|-----------------------------------|---------------------------------------|--|
| Operating revenues: | | | | | |
| Charges for services | \$ 8,918,038 | 4,115,811 | 41,194,630 | 6,059,832 | 60,288,311 |
| Operating expenses: | | | | | |
| Personal services | — | 82,225 | 10,921,710 | 4,017,873 | 15,021,808 |
| Outside services | 236,739 | — | 5,479,893 | 349,224 | 6,065,856 |
| Operation and maintenance | 1,556,957 | 2,295,312 | 9,772,969 | 1,250,426 | 14,875,664 |
| Cost of sales and services | 159,840 | — | 3,206,721 | 635,902 | 4,002,463 |
| Administration | 2,900 | — | — | 598,867 | 601,767 |
| Depreciation and amortization | 3,946,367 | 2,398,792 | 14,997,267 | 490,372 | 21,832,798 |
| Total operating expenses | 5,902,803 | 4,776,329 | 44,378,560 | 7,342,664 | 62,400,356 |
| Operating income (loss) | 3,015,235 | (660,518) | (3,183,930) | (1,282,832) | (2,112,045) |
| Nonoperating revenues (expenses): | | | | | |
| Investment earnings | 797,854 | 9,039 | 774,496 | — | 1,581,389 |
| Miscellaneous rents and royalties | — | — | 13,355 | — | 13,355 |
| Interest expense | (5,211,791) | (32,864) | (5,154,634) | (3,544) | (10,402,833) |
| Total nonoperating expenses, net | (4,413,937) | (23,825) | (4,366,783) | (3,544) | (8,808,089) |
| Loss before contributions and transfers | (1,398,702) | (684,343) | (7,550,713) | (1,286,376) | (10,920,134) |
| Capital contributions | — | — | 4,551,927 | — | 4,551,927 |
| Transfers in | — | — | 504,148 | 150,000 | 654,148 |
| Transfers out | — | — | (86,932) | (8,615) | (95,547) |
| Change in net assets | (1,398,702) | (684,343) | (2,581,570) | (1,144,991) | (5,809,606) |
| Net assets at beginning of year | (23,846,203) | (5,118,689) | 293,613,741 | 5,013,953 | 269,662,802 |
| Net assets at end of year | \$ (25,244,905) | (5,803,032) | 291,032,171 | 3,868,962 | 263,853,196 |

See accompanying notes to basic financial statements.

CITY OF OMAHA, NEBRASKA

Statement of Cash Flows –
Proprietary Funds

Year ended December 31, 2008



| | Convention center hotel fund | Parking facilities fund | Sewer revenue fund | Other enterprise funds | Total proprietary funds |
|--|------------------------------------|-------------------------------|--------------------------|------------------------------|-------------------------------|
| Cash flows from operating activities: | | | | | |
| Receipts from customers | \$ 8,918,038 | 4,332,697 | 40,828,004 | 5,980,529 | 60,059,268 |
| Payments to suppliers | (1,956,214) | (2,163,305) | (16,753,147) | (2,845,575) | (23,718,241) |
| Payments to employees | — | (116,160) | (9,408,925) | (3,473,111) | (12,998,196) |
| Net cash provided by operating activities | <u>6,961,824</u> | <u>2,053,232</u> | <u>14,665,932</u> | <u>(338,157)</u> | <u>23,342,831</u> |
| Cash flows from noncapital financing activities: | | | | | |
| Transfers in/out | — | — | 417,216 | 141,385 | 558,601 |
| Advances from (to) other funds | 171,169 | (116,062) | (28,348) | 6,325 | 33,084 |
| Net cash provided by (used in) noncapital financing activities | <u>171,169</u> | <u>(116,062)</u> | <u>388,868</u> | <u>147,710</u> | <u>591,685</u> |
| Cash flows from capital and related financing activities: | | | | | |
| Capital expenditures | (152,066) | — | (24,216,711) | (563,318) | (24,932,095) |
| Capital contributions | — | — | — | — | — |
| Deferred charges | 48,528 | 37,355 | (6,501) | (991) | 78,391 |
| Miscellaneous rents and royalties | — | — | 13,355 | — | 13,355 |
| Proceeds from sale of fixed assets | — | — | — | — | — |
| Payments on long-term debt | — | (2,060,000) | (1,655,818) | (155,000) | (3,870,818) |
| Issuance of long-term debt | — | — | — | 445,000 | 445,000 |
| Premium received on issuance of long-term debt | — | — | (2,176,864) | — | (2,176,864) |
| Issuance of notes payable | — | — | — | — | — |
| Interest paid | (6,206,994) | (54,511) | (5,080,556) | (5,288) | (11,347,349) |
| Net cash used in capital and related financing activities | <u>(6,310,532)</u> | <u>(2,077,156)</u> | <u>(33,123,095)</u> | <u>(279,597)</u> | <u>(41,790,380)</u> |
| Cash flows from investing activities: | | | | | |
| Sale (purchase) of investment securities | (1,620,315) | 229,292 | 11,494,540 | — | 10,103,517 |
| Interest received | 797,854 | 9,039 | 765,232 | (2,660) | 1,569,465 |
| Net cash provided by (used in) investing activities | <u>(822,461)</u> | <u>238,331</u> | <u>12,259,772</u> | <u>(2,660)</u> | <u>11,672,982</u> |
| Net increase (decrease) in cash and cash equivalents | — | 98,345 | (5,808,523) | (472,704) | (6,182,882) |
| Cash and cash equivalents, beginning of year | — | — | 28,562,643 | 661,453 | 29,224,096 |
| Cash and cash equivalents, end of year | <u>\$ —</u> | <u>98,345</u> | <u>22,754,120</u> | <u>188,749</u> | <u>23,041,214</u> |
| Reconciliation of operating loss to net cash provided by (used in) operating activities: | | | | | |
| Operating income (loss) | \$ 3,015,235 | (660,518) | (3,183,930) | (1,282,832) | (2,112,045) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | | | |
| Depreciation and amortization | 3,946,367 | 2,398,792 | 14,997,267 | 490,372 | 21,832,798 |
| Cash flows impacted by changes in: | | | | | |
| Accounts receivable | 222 | 216,886 | (366,626) | (51,656) | (201,174) |
| Prepaid assets | — | — | — | — | — |
| Inventories | — | — | (84,538) | 965 | (83,573) |
| Due from other governments | — | — | — | (27,647) | (27,647) |
| Accounts payable and other | — | 132,007 | 1,790,904 | (12,121) | 1,910,790 |
| Claims payable | — | — | 131,383 | 49,393 | 180,776 |
| Pension obligation | — | — | 440,137 | 167,093 | 607,230 |
| Postretirement benefit obligation | — | — | 942,652 | 363,662 | 1,306,314 |
| Accrued expenses | — | (33,935) | (1,317) | (35,386) | (70,638) |
| Net cash provided by operating activities | <u>\$ 6,961,824</u> | <u>2,053,232</u> | <u>14,665,932</u> | <u>(338,157)</u> | <u>23,342,831</u> |

See accompanying notes to basic financial statements.

CITY OF OMAHA, NEBRASKA

Statement of Fiduciary Net Assets –
Fiduciary Funds

December 31, 2008



| | Pension Trust Funds | Agency | Total |
|--|--------------------------------|-------------------|--------------------|
| Assets: | | | |
| Cash and cash equivalents | \$ 1,860,866 | 9,753,709 | 11,614,575 |
| Receivables: | | | |
| Accrued interest | 2,034,577 | 2,554 | 2,037,131 |
| Other | 1,719,315 | 16,852 | 1,736,167 |
| Pooled investments | — | 1,383,333 | 1,383,333 |
| Investments | 565,809,966 | — | 565,809,966 |
| Total assets | <u>571,424,724</u> | <u>11,156,448</u> | <u>582,581,172</u> |
| Liabilities: | | | |
| Warrants payable | 40,357 | — | 40,357 |
| Accounts payable | 1,007,983 | 670,866 | 1,678,849 |
| Deposits payable | — | 10,485,582 | 10,485,582 |
| Total liabilities | <u>1,048,340</u> | <u>11,156,448</u> | <u>12,204,788</u> |
| Net assets held in trust for pension benefits | <u>\$ 570,376,384</u> | <u>—</u> | <u>570,376,384</u> |

See accompanying notes to basic financial statements.

CITY OF OMAHA, NEBRASKA

Statement of Changes in Fiduciary Net Assets –
Pension Trust Funds

Year ended December 31, 2008



| | | |
|---|----|---------------------------|
| Additions: | | |
| Contributions: | | |
| Employer | \$ | 27,074,888 |
| Employee | | 19,554,115 |
| Total contributions | | <u>46,629,003</u> |
| Investment earnings and losses: | | |
| Dividends and interest | | 18,174,180 |
| Net change in the fair value of investments | | <u>(239,986,157)</u> |
| Total investment earnings and losses | | <u>(221,811,977)</u> |
| Less investment expenses | | <u>(4,286,704)</u> |
| Net investment earnings and losses | | <u>(226,098,681)</u> |
| Total additions, net of investment losses | | <u>(179,469,678)</u> |
| Deductions: | | |
| Benefits | | <u>74,171,506</u> |
| Change in net assets | | <u>(253,641,184)</u> |
| Net assets, beginning of year | | <u>824,017,568</u> |
| Net assets, end of year | \$ | <u><u>570,376,384</u></u> |

See accompanying notes to basic financial statements.

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2008



(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, and City of Omaha Convention Hotel Corporation. The City is financially accountable for these organizations. The City reports its respective ownership percentage of the assets, liabilities, net assets and operating activity of the Omaha-Douglas Public Building Commission (the Commission). Separate financial statements are available at 1819 Farnam Street, Omaha, NE 68183.

The discretely presented component unit, on the other hand, is reported in a separate column in the governmentwide 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 that is responsible for the 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 were 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, 2008. MECA's separate financial statements are available at 1819 Farnam Street, Omaha, Nebraska 68183.

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2008



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

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

(b) Basis of Presentation

Governmentwide 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.

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2008



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.

The City reports the following major governmental funds:

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

The City reports the following major proprietary funds:

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

The City reports the following additional fund types:

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

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2008



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

The governmentwide, 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 governmentwide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). 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.

(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

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2008



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, dodge park marina fund, western heritage/byron reed fund, asarco remediation fund, sewer revenue fund, sewer construction fund, and aksarben bond fund, which are credited directly to the respective funds. Interest is imputed and transferred to the keno funds, police seized assets funds, law enforcement block grant funds, and western heritage fund.

(f) Cash and Cash Equivalents

For purposes of the accompanying statement of cash flows, the City enterprise funds consider all highly liquid debt instruments with an original 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 where marketable securities are not listed on an exchange, quotations are obtained from brokerage firms or national pricing services. 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 assets when purchased and expended as used.

(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 2008 general tax levy (\$0.24312 per \$100 of assessed valuation) was below the legal limit by \$0.20688, or \$52,345,274.

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 2008 general tax levy (\$0.24312 per \$100 of assessed valuation) was below the legal limit by \$0.3698, or \$93,567,683. The assessed value upon which the 2008 levy was based was \$25,302,239,770.

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.

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2008



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

(j) *Deferred Charges*

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

(k) *Capital Assets*

Within the governmentwide 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 governmentwide and proprietary fund financial statements. Assets are depreciated using the half-year convention in the first and last years of the asset's useful life.

The estimated useful lives are as follows:

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

(l) *Compensated Absences*

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

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

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24-hour shift employees are reimbursed for accumulated vacation time up to a maximum of 360 hours, plus current year accumulation. Upon retirement or resignation, Fire Bargaining 24-hour shift employees are reimbursed for accumulated sick leave 1 for 1 for the first 1,200 hours and 3 for 4 for all hours greater than 1,201 to 2,400 for a maximum 2,100 hours. In the event of termination, Fire Management employees are reimbursed for accumulated vacation time up to a maximum of 280 hours, plus current year accumulation. Upon retirement, Fire Management employees are reimbursed for accumulated sick leave 1 for 1 for the first 1,200 hours and 1 for 4 for all hours greater than 1,201 to 3,200 for a maximum 1,700. In the event of termination, Fire Department 40-hour shift employees are reimbursed for accumulated vacation time up to a maximum of 240 hours, plus current year accumulation. Upon retirement or resignation, 40-hour shift employees are converted to 24-hour shift employees reimbursed for accumulated sick leave as above.

For the governmentwide, proprietary, and fiduciary fund financial statements, vacation leave and other compensated absences with similar characteristics are accrued as the benefits are earned if the leave is attributable to past service and it is probable that the City will compensate the employees for such benefits. Such accruals are based on current salary rates and include salary-related payments, such as the employer's matching Social Security and Medicare costs, associated with payments made for compensated absences on termination. In the governmental funds, a liability for these amounts is reported only if they have matured.

(m) Self-Insurance

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

(n) Long-Term Obligations

In the governmentwide 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.

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(o) Interfund Transactions

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

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the governmentwide presentation.

(p) Restricted Assets

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

(q) Accounting Pronouncements Adopted

In November 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement was adopted by the City during 2008. The statement requires the City to recognize a pollution-remediation obligation liability when it knows or reasonably believes a site is polluted and one of five obligating events has occurred. The adoption of the statement did not have a financial statement impact during fiscal year 2008.

In May 2007, GASB issued Statement No. 50, *Pension Disclosures, an amendment of GASB Statements No. 25 and No. 27*. This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The City adopted this statement in 2008.

(r) Recent Accounting Pronouncements Issued

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. This statement is effective for fiscal years beginning after June 15, 2009. The City has not completed its assessment of the impact of the adoption of this statement.

In November 2007, GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, requires that real estate held by endowments should be reported at fair value. This statement is applicable to the City in 2009; however, management believes that it will have no effect on the financial statements of the City.

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In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement establishes accounting and financial reporting standards for all state and local governments that enter into derivatives. The City has not completed its assessment of the impact of the adoption of this statement, which is required in 2010.

In February 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides clearer fund balance classifications and is effective for periods beginning after June 15, 2010. The City has not completed its assessment of the impact of the adoption of this statement. However, the City currently does not have investments in derivative instruments.

(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 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, 2008 are as follows:

| <u>Receivable fund</u> | <u>Amount</u> | <u>Payable fund</u> |
|------------------------|---------------|------------------------------|
| Uniformed Pension Fund | \$ 770,172 | General Fund |
| Civilian Pension Fund | 117,501 | General Fund |
| Civilian Pension Fund | 26,759 | Sewer Revenue Fund |
| Civilian Pension Fund | 6,325 | Nonmajor enterprise funds |
| Civilian Pension Fund | 53,994 | Nonmajor governmental funds |
| Sewer Revenue Fund | 206,001 | Convention Center Hotel 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.

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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:

| | | Transfer in | | | | |
|----------------------|---------------------------|-------------------------|----------------------------------|--------------------------------|--------------|--------------|
| | | General Fund | Nonmajor Governmental | Nonmajor Enterprise | Sewer | Total |
| Transfers out | Major Governmental Funds: | | | | | |
| | General Fund | \$ — | 200,000 | — | — | 200,000 |
| | Major Enterprise Funds: | | | | | |
| | Sewer | — | 86,932 | — | — | 86,932 |
| | Nonmajor Governmental | 322,162 | 61,529 | 150,000 | 504,148 | 1,037,839 |
| Nonmajor Enterprise | — | 8,615 | — | — | 8,615 | |
| | Total | \$ 322,162 | 357,076 | 150,000 | 504,148 | 1,333,386 |

(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, 2008, all of the City’s deposits were collateralized with securities held by the City’s agent in the City’s name.

(b) City Investments

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

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

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

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The City had the following maturities for pooled investments:

| <u>Investment type</u> | <u>Fair value</u> | <u>Investment term</u> | |
|------------------------|----------------------|-----------------------------|--------------------|
| | | <u>Less than 1 year</u> | <u>1 – 5 years</u> |
| U.S. agencies | \$ 34,082,957 | 16,138,320 | 17,944,637 |
| U.S. treasury bills | 2,713,817 | 2,713,817 | — |
| | <u>\$ 36,796,774</u> | | |

The City had the following maturities for investments held by trustees:

| <u>Investment type</u> | <u>Fair value</u> | <u>Investment term</u> | |
|--------------------------------|---------------------|-----------------------------|--------------------|
| | | <u>Less than 1 year</u> | <u>1 – 5 years</u> |
| Guaranteed investment contract | \$ 2,867,500 | — | 2,867,500 |
| Government securities | 716,875 | — | 716,875 |
| | <u>\$ 3,584,375</u> | | |

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.

The pooled investment’s quality rating is as follows:

| <u>Investment type</u> | <u>Fair value</u> | <u>Quality rating AAA</u> |
|------------------------|----------------------|-------------------------------|
| U.S. agencies | \$ 34,082,957 | 34,082,957 |
| U.S. treasury bills | 2,713,817 | 2,713,817 |
| | <u>\$ 36,796,774</u> | |

The deposits with trustees’ quality rating is as follows:

| <u>Investment type</u> | <u>Fair value</u> | <u>Quality rating AAA</u> |
|--------------------------------|---------------------|-------------------------------|
| Guaranteed investment contract | \$ 2,867,500 | NA |
| Government securities | 716,875 | 716,875 |
| | <u>\$ 3,584,375</u> | |

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

CITY OF OMAHA, NEBRASKA

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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 for pooled investments are displayed in the following table:

| <u>Investment type</u> | <u>Fair value</u> | <u>Percent</u> |
|------------------------|-------------------|----------------|
| U.S. agencies | \$ 34,082,957 | 92.6% |
| U.S. treasury bills | 2,713,817 | 7.4 |

Concentrations of investment by issuer for deposits held by trustees are displayed in the following table:

| <u>Investment type</u> | <u>Fair value</u> | <u>Percent</u> |
|--------------------------------|-------------------|----------------|
| Guaranteed investment contract | \$ 2,867,500 | 80.0% |
| Government securities | 716,875 | 20.0 |

Foreign Currency Risk – Foreign Currency Risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The City does not have a policy related to foreign currency risk.

Summary – The following is a complete listing of deposits and investments of the City:

| <u>Investment type</u> | <u>Fair value</u> |
|------------------------|-----------------------|
| Deposits | \$ 63,590,144 |
| Pooled investments | 36,796,774 |
| Trustee accounts | 24,854,539 |
| Imprest funds | 68,653 |
| | <u>\$ 125,310,110</u> |

The deposits and investments of the City, excluding the pension trust fund, at December 31, 2008, are reflected in the financial statements as follows:

| <u>Investment type</u> | <u>Governmentwide statement of net assets</u> | <u>Fiduciary funds statement of net assets</u> | <u>Total</u> |
|-------------------------------|---|--|--------------------|
| Cash and cash equivalents | \$ 53,905,088 | 9,753,709 | 63,658,797 |
| Pooled investments | 32,103,764 | 1,383,333 | 33,487,097 |
| Deposits with trustee | 24,854,539 | — | 24,854,539 |
| Restricted pooled investments | 3,309,677 | — | 3,309,677 |
| | <u>\$ 114,173,068</u> | <u>11,137,042</u> | <u>125,310,110</u> |

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(c) **Pension Trust Funds**

The pension trust funds consist of two funds: the Civilian Plan and the Uniformed Plan. These pension programs operate in compliance with 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 short-term investment 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 asset allocation to fixed income. The uniformed plan fund’s target range for fixed income assets is between 16% and 28% of the portfolio value and the civilian plan fund’s range is between 12% and 28%. Fixed income investments are held in six accounts managed by five managers: \$137.7 million in managed accounts and \$41 million in two bond mutual funds. Maturities of the securities in these commingled funds are as follows:

| Managed accounts | | | | |
|-------------------------|-------------------------------|--------------|---------------|-------------|
| Investment type | Maturity range (years) | | | |
| | Less than 1 year | 1 – 5 | 6 – 10 | 10 + |
| U.S. treasuries | —% | 5.3% | 14.5% | 4.7% |
| U.S. agencies | 1.2 | 6.8 | 8.6 | 16.1 |
| Corporate bonds | 1.8 | 22.5 | 14.9 | 3.6 |

| Bond mutual funds | |
|--------------------------|-----------------------------|
| Maturity | Percent of total |
| 0 – 1 years | 8.1% |
| 1 – 5 years | 64.8 |
| 6 – 10 years | 20.7 |
| 10 + years | 6.4 |

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Credit Risk – Credit risk involves the potential of loss of fair value due to the quality of the fixed income investments. The Investment Committees of each plan monitor and select fixed fund managers based on an investment policy that diversifies the plan’s risks. Each manager employs a varying type of investment style. Fixed income investments are held in six accounts and are managed by five managers: \$137.7 million in managed accounts and \$42.7 million in two bond mutual funds. The quality ratings of the securities in these commingled funds are as follows:

| Managed accounts | | |
|--------------------------|----------------|-------------------------|
| Investment type | Ratings | Percent of total |
| U.S. treasuries | AAA | 25.2% |
| U.S. agencies | AAA/AA+ | 33.9 |
| Corporate bonds | AAA/A3 | 33.1 |
| Corporate bonds | BAA1/BBB | 7.4 |
| Corporate bonds | N/R | 0.4 |
| Bond mutual funds | | |
| Rating | | Percent of total |
| TSY/AGY | | 55.2% |
| AAA/Aaa | | 20.2 |
| AA+/A3 | | 18.2 |
| BBB/Ba2 | | 2.5 |
| N/R | | 3.9 |

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 12% to 28% of the portfolio. Equity investments shall be 30% to 55% of the portfolio with large cap domestics (20% to 35%), small cap domestics (10% to 20%), and international equities (5% to 15%). Domestic real estate securities shall be 2% to 20% of the portfolio. They may be held individually or commingled in mutual funds and investment pools. There are no individual investments greater than 5% with a single issuer.

| Investment type | Fair value | Percent allocated |
|---------------------------------|-------------------|--------------------------|
| Government securities | \$ 111,424,922 | 19.7% |
| Corporate bonds | 67,237,441 | 11.9 |
| Domestic equities | 185,393,186 | 32.8 |
| International equities | 75,067,359 | 13.2 |
| Domestic real estate securities | 105,806,838 | 18.7 |
| Cash and cash equivalents | 20,880,220 | 3.7 |
| Total | \$ 565,809,966 | 100.0% |

CITY OF OMAHA, NEBRASKA

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December 31, 2008



Foreign Currency Risk

The City is exposed to foreign currency risk related to international equities. Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The City does not have policy related to foreign currency risk. All international equities are denominated in U.S. dollars.

(4) Net Assets/Fund Balances

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

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

In the fund financial statements, reservations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves are established by actions of the Council and management and can be increased, reduced, or eliminated by similar actions. As of December 31, 2008, 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 obtained a note dated December 18, 2008 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 \$706,000, at an interest rate of 5.21%. The note will be repaid from collections of special assessments.

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Notes to Basic Financial Statements

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(6) Bonds Payable and Other Long-Term Obligations

The following is a summary of long-term liability transactions for the year ended December 31, 2008:

| | Balances at January 1, 2008 | Issuances or other additions | Retirements or other reductions | Balances at December 31, 2008 | Amount due within one year |
|--|--|---|--|--|---|
| Governmental activities: | | | | | |
| Bonds payable: | | | | | |
| General obligation bonds | \$ 472,720,000 | 93,420,000 | 57,105,000 | 509,035,000 | 26,710,000 |
| Annexed general obligation bonds | 64,106,472 | 37,687,881 | 52,766,890 | 49,027,463 | 3,733,269 |
| Special tax revenue bonds | 40,385,000 | 6,865,000 | 3,250,000 | 44,000,000 | 1,730,000 |
| Special obligation bonds | 58,654,877 | 38,535,000 | 32,699,182 | 64,490,695 | 1,442,837 |
| Revenue bonds | 2,350,000 | — | 140,000 | 2,210,000 | 145,000 |
| Deferred amounts: | | | | | |
| Unamortized premium | 30,826,972 | 4,412,423 | 1,908,303 | 33,331,092 | — |
| Unamortized discount | (48,563) | (61,615) | (4,984) | (105,194) | — |
| Loss on refunding | (33,504,417) | (2,944,654) | (2,153,348) | (34,295,723) | — |
| Total bonds payable | 635,490,341 | 177,914,035 | 145,711,043 | 667,693,333 | 33,761,106 |
| Special assessment notes payable | 215,000 | 706,000 | 215,000 | 706,000 | 706,000 |
| Lease-purchase contracts payable | 37,418,224 | 6,957,605 | 3,063,583 | 41,312,246 | 2,722,178 |
| Notes payable | 3,096,263 | — | 215,460 | 2,880,803 | 222,570 |
| Grants payable | 8,215,000 | 800,000 | 4,240,000 | 4,775,000 | 2,600,000 |
| Compensated absences | 62,698,592 | 5,266,482 | — | 67,965,074 | 3,398,254 |
| Workers' compensation and healthcare claims | 18,898,927 | 2,007,759 | — | 20,906,686 | 8,407,778 |
| Claims and judgments payable | 1,464,500 | 452,500 | — | 1,917,000 | 1,917,000 |
| Net pension obligation | 56,981,670 | 19,079,185 | — | 76,060,855 | — |
| Postretirement benefit obligation | 15,030,222 | 20,814,361 | — | 35,844,583 | — |
| Total governmental long-term liabilities carryforward | 839,508,739 | 233,997,927 | 153,445,086 | 920,061,580 | 53,734,886 |

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| | Balances at January 1, 2008 | Issuances or other additions | Retirements or other reductions | Balances at December 31, 2008 | Amount due within one year |
|---|--|---|--|--|---|
| Brought forward | \$ 839,508,739 | 233,997,927 | 153,445,086 | 920,061,580 | 53,769,286 |
| Business-type activities: | | | | | |
| Convention Center Hotel: | | | | | |
| Revenue bonds | 109,750,000 | — | — | 109,750,000 | — |
| Deferred amounts: | | | | | |
| Unamortized premium | 3,123,240 | — | 118,417 | 3,004,823 | — |
| Loss on refunding | (4,403,239) | — | (166,947) | (4,236,292) | — |
| | <u>108,470,001</u> | <u>—</u> | <u>(48,530)</u> | <u>108,518,531</u> | <u>—</u> |
| Parking Facilities Fund: | | | | | |
| Lease-purchase contracts payable | 47,815,000 | — | 2,060,000 | 45,755,000 | 2,140,000 |
| Deferred amounts: | | | | | |
| Unamortized premium | 67,059 | — | 7,027 | 60,032 | — |
| Loss on refunding | (234,098) | — | (25,822) | (208,276) | — |
| Compensated absences | 33,935 | — | 33,935 | — | — |
| | <u>47,681,896</u> | <u>—</u> | <u>2,075,140</u> | <u>45,606,756</u> | <u>2,140,000</u> |
| Sewer Revenue Fund: | | | | | |
| Revenue bonds | 54,430,000 | — | 1,135,000 | 53,295,000 | 1,175,000 |
| Plus unamortized premium | 878,361 | — | — | 878,361 | — |
| Notes payable | 37,056,147 | — | 2,176,864 | 34,879,283 | 2,250,876 |
| Special obligation bonds | 19,855,123 | — | 520,818 | 19,334,305 | 542,163 |
| Plus unamortized premium | 164,139 | — | — | 164,139 | — |
| Compensated absences | 1,471,656 | — | 1,387 | 1,470,269 | 73,513 |
| Workers' compensation and healthcare claims | 780,448 | 131,383 | — | 911,831 | 437,679 |
| Pension obligation | 1,744,283 | 440,137 | — | 2,184,420 | — |
| Postretirement benefit obligation | 620,687 | 942,652 | — | 1,563,339 | — |
| | <u>117,000,844</u> | <u>1,514,172</u> | <u>3,834,069</u> | <u>114,680,947</u> | <u>4,479,231</u> |
| Nonmajor business-type activities: | | | | | |
| Revenue bonds | 155,000 | — | 155,000 | — | — |
| Lease purchase contracts payable | — | 445,000 | — | 445,000 | 25,000 |
| Deferred amounts: | | | | | |
| Unamortized premium | — | 2,338 | 13 | 2,325 | — |
| Compensated absences | 532,116 | 8,461 | 43,847 | 496,730 | 16,525 |
| Workers' compensation and healthcare claims | 303,496 | 49,393 | — | 352,889 | 141,917 |
| Pension obligation | 678,305 | 167,093 | — | 845,398 | — |
| Postretirement benefit obligation | 241,368 | 363,662 | — | 605,030 | — |
| | <u>1,910,285</u> | <u>1,035,947</u> | <u>198,860</u> | <u>2,747,372</u> | <u>183,442</u> |
| Total business-type activities | <u>275,063,026</u> | <u>2,550,119</u> | <u>6,059,539</u> | <u>271,553,606</u> | <u>6,802,673</u> |
| Total all funds | <u>\$ 1,114,571,765</u> | <u>236,548,046</u> | <u>159,504,625</u> | <u>1,191,615,186</u> | <u>60,571,959</u> |

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Governmental Activities

Long-term debt at December 31, 2008 comprises 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, 2008</u> |
|---------------|------------------------|---------------------------------|---|-------------------|----------------------------|--------------------------|
| \$ 26,475,000 | 12-15-97 | Various purpose – refund series | 4.50% – 5.00% | 1998 – 2017 | 2007 | \$ 1,425,000 |
| 27,120,000 | 12-01-98 | G.O. – defeasance bonds | 4.10 – 5.00 | 2000 – 2015 | 2008 | 8,005,000 |
| 25,445,000 | 12-15-98 | Various purpose – refund series | 4.20 – 4.50 | 1999 – 2018 | 2008 | 3,765,000 |
| 36,570,000 | 11-15-99 | Various purpose – refund series | 5.00 – 5.125 | 2000 – 2019 | 2009 | 6,160,000 |
| 21,000,000 | 12-01-00 | Various purpose | 4.10 – 5.20 | 2001 – 2020 | 2010 | 6,000,000 |
| 24,165,000 | 12-01-00 | G.O. – defeasance bonds | 4.10 – 5.75 | 2001 – 2017 | 2010 | 11,090,000 |
| 21,000,000 | 11-15-01 | Various purpose | 3.00 – 4.75 | 2002 – 2021 | 2011 | 13,650,000 |
| 16,000,000 | 03-01-03 | Various purpose | 2.75 – 5.00 | 2003 – 2022 | 2013 | 11,775,000 |
| 30,175,000 | 03-01-03 | G.O. – defeasance bonds | 1.50 – 4.30 | 2003 – 2021 | 2013 | 19,940,000 |
| 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 | 22,265,000 |
| 42,800,000 | 11-15-05 | Various purpose – refund series | 4.00 – 4.75 | 2006 – 2025 | 2015 | 36,380,000 |
| 26,625,000 | 10-15-06 | Various purpose – refund series | 4.00 – 4.25 | 2007 – 2026 | 2016 | 24,280,000 |
| 46,785,000 | 10-15-07 | Various purpose – refund series | 4.00 – 4.75 | 2008 – 2027 | 2017 | 45,005,000 |
| 17,880,000 | 10-30-08 | Various purpose – refund series | 5.00 – 5.74 | 2009 – 2028 | 2018 | 17,880,000 |
| 75,540,000 | 07-24-08 | G.O. – defeasance bonds | 3.75 – 5.00 | 2009 – 2025 | 2018 | <u>75,540,000</u> |
| | | Total general obligation bonds | | | | <u>509,035,000</u> |

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2008



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, 2008</u> |
|---------------------------|------------------------|---|---|-------------------|----------------------------|--------------------------|
| Annexed Area Bonds | | | | | | |
| \$ 130,000 | 12-01-01 | S.I.D. #151 | 3.5% – 4.80% | 2002 – 2011 | 2008 | \$ 45,000 |
| 2,210,000 | 01-15-04 | S.I.D. #203 | 1.40 – 4.70 | 2005 – 2024 | 2009 | 180,000 |
| 652,852 | 03-15-91 | S.I.D. #235 | 1.00 | 1995 – 2010 | None | 441,954 |
| 285,509 | 03-15-91 | S.I.D. #235 | — | 2010 | None | 285,509 |
| 750,000 | 08-01-03 | S.I.D. #245 | 2.25 – 4.85 | 2005 – 2020 | 2008 | 590,000 |
| 2,500,000 | 05-02-06 | S.I.D. #272 | 3.65 – 4.45 | 2007 – 2016 | 2011 | 2,090,000 |
| 2,400,000 | 07-01-01 | S.I.D. #321 | 4.10 – 5.15 | 2002 – 2013 | 2005 | 1,255,000 |
| 1,890,000 | 10-01-02 | S.I.D. #353 | 3.75 – 4.75 | 2003 – 2014 | 2006 | 1,220,000 |
| 1,245,000 | 05-01-08 | S.I.D. #353 | 3.10 – 4.20 | 2009 – 2018 | 2013 | 1,245,000 |
| 3,270,000 | 11-11-02 | S.I.D. #364 | 3.10 – 4.60 | 2003 – 2016 | 2006 | 2,080,000 |
| 4,350,000 | 12-15-04 | S.I.D. #367 | 2.50 – 4.45 | 2006 – 2019 | 2009 | 3,590,000 |
| 1,835,000 | 09-02-03 | S.I.D. #369 | 2.00 – 4.75 | 2004 – 2018 | 2008 | 1,225,000 |
| 3,800,000 | 12-15-03 | S.I.D. #375 | 1.60 – 5.30 | 2004 – 2023 | 2008 | 150,000 |
| 2,300,000 | 03-15-04 | S.I.D. #379 | 1.60 – 4.50 | 2004 – 2018 | 2018 | 295,000 |
| 1,150,000 | 06-15-05 | S.I.D. #383 | 3.10 – 4.20 | 2006 – 2023 | 2009 | 1,035,000 |
| 4,250,000 | 10-15-04 | S.I.D. #384 | 1.90 – 5.00 | 2005 – 2024 | 2008 | 295,000 |
| 3,250,000 | 03-01-05 | S.I.D. #391 | 2.50 – 4.40 | 2006 – 2019 | 2010 | 2,680,000 |
| 1,750,000 | 01-15-05 | S.I.D. #423 | 2.50 – 5.20 | 2005 – 2025 | 2010 | 195,000 |
| 1,500,000 | 06-15-06 | S.I.D. #423 | 4.00 – 5.25 | 2006 – 2026 | 2011 | 240,000 |
| 3,500,000 | 12-01-03 | S.I.D. #448 | 1.50 – 5.20 | 2004 – 2023 | 2007 | 125,000 |
| 7,600,000 | 05-01-04 | S.I.D. #448 | 1.35 – 4.90 | 2005 – 2024 | 2008 | 320,000 |
| 2,950,000 | 02-15-07 | S.I.D. #449 | 3.75 – 5.05 | 2007 – 2027 | 2011 | 325,000 |
| 5,100,000 | 08-15-05 | S.I.D. #454 | 3.20 – 5.05 | 2006 – 2025 | 2010 | 4,595,000 |
| 3,000,000 | 03-15-04 | S.I.D. #459 | 2.00 – 5.20 | 2005 – 2024 | 2009 | 2,560,000 |
| 3,000,000 | 03-15-05 | S.I.D. #459 | 2.80 – 5.20 | 2006 – 2025 | 2010 | 2,700,000 |
| 2,750,000 | 06-15-06 | S.I.D. #459 | 4.15 – 5.15 | 2007 – 2026 | 2011 | 2,695,000 |
| 3,750,000 | 10-01-07 | S.I.D. #459 | 4.40 – 5.35 | 2008 – 2027 | 2013 | 3,615,000 |
| 2,000,000 | 11-15-05 | S.I.D. #461 | 3.50 – 5.00 | 2006 – 2025 | 2010 | 1,830,000 |
| 1,000,000 | 11-01-06 | S.I.D. #461 | 4.10 – 5.00 | 2007 – 2026 | 2011 | 975,000 |
| 4,150,000 | 10-01-06 | S.I.D. #470 | 4.10 – 5.15 | 2007 – 2031 | 2011 | 4,130,000 |
| 2,500,000 | 11-15-06 | S.I.D. #498 | 4.00 – 5.00 | 2007 – 2026 | 2011 | 2,335,000 |
| 2,825,000 | 12-15-08 | S.I.D. #534 | 5.05 | 2011 – 2033 | 2011 | 2,825,000 |
| 930,000 | 09-15-05 | Various Purpose – Elkhorn | 3.15 – 4.55 | 2007 – 2024 | 2010 | 860,000 |
| | | Total annexed area bonds | | | | <u>49,027,463</u> |
| | | Total general obligation and annexed area bonds | | | | <u>\$ 558,062,463</u> |

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2008



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, 2008</u> |
|---------------|------------------------|--|---|-------------------|----------------------------|--------------------------|
| 6,195,000 | 11-02-99 | Downtown Northeast Redevelopment Project | 4.0% – 6.25% | 2000 – 2019 | 2009 | \$ 4,160,000 |
| 8,670,000 | 02-01-02 | Riverfront Redevelopment Project Series 2002A | 5.125 – 5.50 | 2002 – 2031 | Various | 8,670,000 |
| 20,325,000 | 09-01-04 | Performing Arts Complex Redevelopment Bonds | 2.50 – 5.00 | 2005 – 2024 | 2014 | 18,675,000 |
| 1,095,000 | 12-20-07 | Homeland Redevelopment Project Series 2007A | 4.00 – 4.25 | 2007 – 2016 | None | 1,095,000 |
| 665,000 | 12-20-07 | Homeland Redevelopment Project Series 2007B | 4.50 – 4.70 | 2007 – 2011 | None | 475,000 |
| 4,075,000 | 12-20-07 | Various Projects Redevelopment Series 2007 | 3.60 – 5.13 | 2007 – 2027 | 2017 | 4,060,000 |
| 2,000,000 | 03-25-08 | Special Tax Revenue Refunding Series 2008 | 3.03 – 4.32 | 2009 – 2013 | None | 2,000,000 |
| 4,865,000 | 11-13-08 | Special Tax Revenue Redevelopment Series 2008 | 4.00 – 5.25 | 2009 – 2028 | 2018 | <u>4,865,000</u> |
| | | | | | | <u>\$ 44,000,000</u> |

Governmental Activities 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, 2008</u> |
|---------------|------------------------|--------------------|---|-------------------|----------------------------|--------------------------|
| 660,000 | 08-01-99 | Highway Allocation | 4.40% – 5.20% | 2000 – 2010 | 2004 | \$ 220,000 |
| 760,000 | 03-01-04 | Highway Allocation | 1.20 – 3.65 | 2004 – 2014 | 2009 | 570,000 |
| 1,420,000 | 09-30-06 | Highway Allocation | 3.85 – 4.45 | 2007 – 2026 | 2011 | <u>1,420,000</u> |
| | | | | | | <u>\$ 2,210,000</u> |

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2008



Enterprise Funds Revenue Bonds

| <u>Amount</u> | <u>Original issued</u> | <u>Issue</u> | <u>payable semiannually</u> | <u>Series due</u> | <u>First date callable</u> | <u>December 31, 2008</u> |
|---------------|------------------------|---|-----------------------------|-------------------|----------------------------|--------------------------|
| \$ 10,000 | 05/20/03 | Elkhorn Sewer Revenue | 1.25 – 3.70 | 2003 – 2013 | 2008 | \$ 1,060,000 |
| 53,170,000 | 11/15/06 | Sanitary Sewer System Revenue Bonds Series 2006 | 4.00 – 4.50 | 2006 – 2036 | 2016 | 52,235,000 |
| 109,750,000 | 05/15/07 | Convention Center Hotel Revenue, Series 2007A | 4.00 – 5.00 | 2010 – 2035 | 2017 | 109,750,000 |
| | | | | | | <u>\$ 163,045,000</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, 2008</u> |
|---------------|------------------------|---|---|-------------------|----------------------------|--------------------------|
| \$ 29,800,000 | 2/1/02 | Riverfront Redevelopment Project Series 2002A | 4.00% – 5.50% | 2003 – 2032 | 2012 | \$ 25,955,695 |
| 38,535,000 | 3/25/08 | Riverfront Redevelopment Refund Series 2008 | 4.00 – 6.40 | 2002 – 2026 | 2012 | 38,535,000 |
| | | | | | | <u>\$ 64,490,695</u> |

Business-Type Activities

Long-term debt at December 31, 2008 comprises the following individual issues:

Special Obligation Bonds – Business-type activities (Sewer Revenue Fund)

| <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, 2008</u> |
|---------------|------------------------|---|---|-------------------|----------------------------|--------------------------|
| \$ 22,200,000 | 2/1/02 | Riverfront Redevelopment Project Series 2002A | 4.00% – 5.50% | 2003 – 2032 | 2012 | \$ 19,334,305 |
| | | | | | | <u>\$ 19,334,305</u> |

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2008



As of December 31, 2008, the debt service requirements of the City for principal and interest in future years are as follows:

| | Governmental activities | | |
|---------------------------|--------------------------------|--------------------|--------------------|
| | Principal | Interest | Total |
| Years ending December 31: | | | |
| 2009 | \$ 33,761,106 | 31,970,832 | 65,731,938 |
| 2010 | 31,860,686 | 30,648,091 | 62,508,777 |
| 2011 | 33,437,540 | 29,356,991 | 62,794,531 |
| 2012 | 37,305,380 | 27,675,113 | 64,980,493 |
| 2013 | 38,446,264 | 25,958,330 | 64,404,594 |
| 2014 – 2018 | 183,263,827 | 103,513,836 | 286,777,663 |
| 2019 – 2023 | 169,288,764 | 59,289,253 | 228,578,017 |
| 2024 – 2028 | 121,836,701 | 18,740,406 | 140,577,107 |
| 2029 – 2032 | 19,562,890 | 2,094,118 | 21,657,008 |
| | <u>\$ 668,763,158</u> | <u>329,246,970</u> | <u>998,010,128</u> |

| | Business-type activities | | |
|---------------------------|---------------------------------|--------------------|--------------------|
| | Principal | Interest | Total |
| Years ending December 31: | | | |
| 2009 | \$ 1,717,163 | 8,536,460 | 10,253,623 |
| 2010 | 2,098,508 | 8,460,848 | 10,559,356 |
| 2011 | 2,319,122 | 8,372,024 | 10,691,146 |
| 2012 | 2,569,736 | 8,267,854 | 10,837,590 |
| 2013 | 3,167,485 | 8,143,451 | 11,310,936 |
| 2014 – 2018 | 18,231,343 | 38,339,888 | 56,571,231 |
| 2019 – 2023 | 23,175,000 | 33,644,428 | 56,819,428 |
| 2024 – 2028 | 38,951,163 | 26,847,325 | 65,798,488 |
| 2029 – 2033 | 55,319,785 | 15,209,999 | 70,529,784 |
| 2034 – 2036 | 34,830,000 | 2,274,842 | 37,104,842 |
| | <u>\$ 182,379,305</u> | <u>158,097,119</u> | <u>340,476,424</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 Basic Financial Statements

December 31, 2008



Notes Payable

Notes payable consist of a loan contract between the City and the U.S. Army Corps of Engineers and four loan contracts between the City and the Nebraska Department of Environmental Quality (NDEQ) with interest rates ranging from 3% to 5%. Maturities of the notes payable are as follows:

| | Governmental activities | | |
|---------------------------|--------------------------------|-----------------|------------------|
| | Principal | Interest | Total |
| Years ending December 31: | | | |
| 2009 | \$ 222,570 | 98,223 | 320,793 |
| 2010 | 229,916 | 90,877 | 320,793 |
| 2011 | 237,505 | 83,288 | 320,793 |
| 2012 | 245,346 | 75,447 | 320,793 |
| 2013 | 148,019 | 68,130 | 216,149 |
| 2014 – 2018 | 821,577 | 259,169 | 1,080,746 |
| 2019 – 2023 | 975,870 | 104,877 | 1,080,747 |
| 2024 – 2026 | — | — | — |
| | \$ 2,880,803 | 780,011 | 3,660,814 |

| | Business-type activities | | |
|---------------------------|---------------------------------|-------------------|-------------------|
| | Principal | Interest | Total |
| Years ending December 31: | | | |
| 2009 | \$ 2,250,876 | 1,231,508 | 3,482,384 |
| 2010 | 2,327,437 | 1,154,947 | 3,482,384 |
| 2011 | 2,406,636 | 1,075,748 | 3,482,384 |
| 2012 | 2,488,565 | 993,820 | 3,482,385 |
| 2013 | 2,563,919 | 909,065 | 3,472,984 |
| 2014 – 2018 | 8,008,515 | 3,578,835 | 11,587,350 |
| 2019 – 2023 | 9,611,204 | 1,976,146 | 11,587,350 |
| 2024 – 2026 | 5,222,131 | 297,405 | 5,519,536 |
| | \$ 34,879,283 | 11,217,474 | 46,096,757 |

Grants Payable

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

| | |
|------|---------------------|
| 2009 | \$ 2,600,000 |
| 2010 | 1,800,000 |
| 2011 | 250,000 |
| 2012 | 125,000 |
| | \$ 4,775,000 |

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2008



Tax Increment Financing Notes and Bonds

At December 31, 2008, \$265,746,930 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 creation of the related tax increment district requires that any increase in taxes due to valuation increases following creation of the district, be remitted to the lender. The City's responsibility for this liability is limited only to remittance of paid taxes.

Tax increment notes and bonds outstanding at December 31, 2008 comprise the following individual issues listed below and on the following pages:

Tax Increment Notes and Bonds

| Original amount | Issue | Effective interest rate at issuance | December 31, 2008 |
|----------------------------|---|--|------------------------------|
| \$ 1,210,000 | Riverfront Hotel – Series 1997-2A | 4.00% | \$ 231,000 |
| 3,510,000 | Riverfront Hotel – Series 1997-1A | 6.00 | 728,000 |
| 3,440,000 | FNB Data Center – Series 1998 | 6.25 | 1,655,000 |
| 600,000 | FNB Data Center – Series 2004 | 5.90 | 199,300 |
| 14,515,000 | FNB Tower Project – Series 1999A | 6.965 – 7.675 | 9,085,000 |
| 3,500,000 | FNB Tower Project – Series 1999B | 6.965 – 7.675 | 2,185,000 |
| 620,000 | Child Care Facility Project – Series 2003 | 5.00 | 361,700 |
| 4,649,620 | Riverfront Redevelopment – Series 2A | 6.50 | 873,240 |
| 1,420,380 | Riverfront Redevelopment – Series 2B | 6.50 | 266,760 |
| 11,585,000 | Convention Center Hotel Redevelopment | 2.5 – 4.85 | 9,460,000 |
| 167,600 | Kellom Heights II | 7.50 | 27,830 |
| 180,015 | National Building | 5.50 | 70,970 |
| 1,224,000 | Westin Aquila | 7.50 | 435,496 |
| 95,000 | 1213 Jackson St. Partnership | 7.00 | 53,377 |
| 581,820 | Farnam Park | 8.00 | 228,318 |
| 30,000 | Kohlls Drug | 8.00 | 38,210 |
| 235,000 | Midlands Recycling | 6.50 | 300,612 |
| 1,725,000 | Millard Refrigerated Svc/NE Beef | 7.25 | 1,246,351 |
| 181,500 | 1115 Harney LLP | 8.00 | 174,970 |
| 1,135,000 | Food Services of America | 6.97 – 7.68 | 1,443,322 |
| 290,000 | Orchard Manor | — | 143,943 |
| 479,000 | Lozier III | 7.25 | 378,541 |
| 550,000 | 1101 Harney LLC | 6.50 | 44,160 |
| 377,000 | Drake Williams Steel | 7.25 | 562,054 |
| 540,000 | Rivergate Apartments | 7.25 | 275,855 |
| 2,650,000 | First Data Resources | 7.00 | 2,419,273 |
| 94,140 | Caldwell Limited Partnership | 8.50 | 50,958 |
| 200,000 | Upstream Brewing Co. | 10.13 | 172,667 |
| 374,000 | Securities Building Ltd. Partnership | 8.00 | 252,748 |
| 88,830 | Kellom Plaza (26th St. Limited Ptr.) | 10.00 | 30,587 |

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2008



Tax Increment Notes and Bonds

| Original amount | Issue | Effective interest rate at issuance | December 31, 2008 |
|----------------------------|--|--|------------------------------|
| \$ 500,000 | Premier Place Development | 9.25% | \$ 565,590 |
| 42,885 | Ames/Fontenelle LLC | 9.00 | 52,731 |
| 1,519,000 | Downtown Northeast | 8.00 | 1,127,120 |
| 424,000 | Bull Durham | 9.00 | 324,675 |
| 110,000 | Grace Plaza/Twentieth Plaza | 8.50 | 101,530 |
| 139,000 | Riverview Meadows | 9.00 | 264,191 |
| 195,000 | Campus for Hope | 2.71 | 85,206 |
| 400,000 | American Laboratories | 9.00 | 508,463 |
| 7,200,000 | Aksarben Future Trust | 7.42 | 4,617,758 |
| 655,000 | Ford Warehouse Apartments-NuStyle | 9.00 | 195,030 |
| 419,000 | Spagetti Building Development | 9.00 | 275,425 |
| 260,000 | Quality Refrigerated Services Inc. | 8.50 | 75,111 |
| 202,000 | Riley Building LLC | 8.00 | 277,728 |
| 273,000 | Cannonball Express #3 | 9.00 | 77,284 |
| 243,600 | Village Development – Lake Street LLC | 8.00 | 217,499 |
| 175,000 | Immaculate Conception School | 8.00 | 193,482 |
| 180,225 | Robbins School LLP | 9.00 | 152,359 |
| 76,000 | L&R Holdings, LLC | 8.50 | 38,430 |
| 790,000 | Bemis Company, Inc. | 8.50 | 1,462,977 |
| 378,000 | Joslyn Lofts Limited Partnership | 8.00 | 421,369 |
| 918,400 | St. Joseph Terrace Apts. LLC | 8.00 | 796,097 |
| 118,000 | South Omaha Affordable Housing Corp | 8.50 | 133,922 |
| 894,600 | 707 South 11th Street Limited Prtnr. | 7.50 | 1,073,796 |
| 2,087,400 | 1023 Jones Street LLP | 7.25 | 2,033,533 |
| 186,000 | E.A. Pedersen Redevelopment | 8.00 | 284,324 |
| 180,000 | 1234 South 13th Street LLC | 7.78 | 320,017 |
| 5,972,725 | Ames Center/Benson Plaza | 8.00 | 8,751,781 |
| 2,098,000 | Airlite Plastics Company | 7.75 | 1,115,654 |
| 1,553,000 | Hilton Garden Inn | 9.00 | 1,203,671 |
| 77,950 | Roman Marble Products, Inc. | 8.00 | 85,916 |
| 495,000 | Abbot Drive Plaza Redevelopment | 8.00 | 892,013 |
| 100,000 | Meredith Manor | 10.00 | 91,198 |
| 285,000 | 1613 Farnam Street LLC | 8.50 | 225,462 |
| 100,000 | Cox/Suburban Electric Redevelopment | 8.50 | 101,505 |
| 50,000 | T&B Properties, LLC | 9.50 | 55,833 |
| 71,000 | Big Jim’s Plus Gas & Convenience Store | 7.38 | 107,955 |
| 4,100,000 | Omaha World Herald | 9.00 | 3,350,029 |
| 202,000 | Chanell Construction | 8.00 | 241,632 |
| 238,000 | Cohen Squared LLC | 8.75 | 223,523 |

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2008



Tax Increment Notes and Bonds

| Original amount | Issue | Effective interest rate at issuance | December 31, 2008 |
|--------------------|---|---|----------------------|
| \$ 150,000 | Fullwood Square Apartments Ltd Ptnrshp O'Keefe Elevator Company Inc. | 8.75% | \$ 192,912 |
| 285,000 | Redevelopment | 8.50 | 209,889 |
| 307,200 | Ames Avenue LLC | 8.00 | 270,194 |
| 355,000 | Village Development | 8.00 | 359,461 |
| 438,000 | Turner Park LLC Redevelopment | 8.00 | 511,324 |
| 106,800 | Bradford Investment Group (Benson) Cintas Group (North Omaha Business Park) | 9.00 | 196,961 |
| 553,000 | Redevelopment | 8.50 | 811,657 |
| 1,600,000 | Drake Court Apts. (710 S 20th LLC) | 7.00 | 1,674,266 |
| 602,498 | Signa Development Svcs (Omaha Club) | 7.50 | 980,483 |
| 125,000 | Kellom Villa Limited | 7.25 | 110,203 |
| 120,000 | Kellom Gardens Limited | 7.25 | 119,796 |
| 86,600 | Armored Knights | 5.00 | 81,794 |
| 1,108,538 | Phillips Realty LLC | 5.00 | 980,430 |
| 243,000 | King's Heritage Estates I | 8.00 | 253,059 |
| 790,000 | 1000 Dodge Street LLC | 6.50 | 823,421 |
| 1,800,000 | Livestock Exchange Building LLC | 8.00 | 1,711,559 |
| 580,000 | Miami Heights Area Development | 8.00 | 550,340 |
| 1,335,000 | Greater Omaha Packing II | 6.00 | 1,567,525 |
| 721,000 | Airlite Plastics Company II | — | 545,678 |
| 526,000 | California Housing LLC QRS (Quality Refrigerated Svcs) | 7.62 | 667,586 |
| 150,000 | Redevelopment II | 5.00 | 210,554 |
| 856,000 | Hy-Vee, Inc. Redevelopment | 9.00 | 997,053 |
| 600,000 | Twenty Fourth & Hamilton LLC | 8.00 | 799,138 |
| 125,000 | 701 South 15th LLC | 9.00 | 113,042 |
| 2,750,000 | Courtland Place No. I LLC | 9.00 | 3,166,592 |
| 4,200,000 | Riverfront Partners LLC 1111 Jones Street LLC (Museum Kaneko) | 4.00 | 4,677,806 |
| 777,000 | Redevelopment | 8.75 | 1,014,302 |
| 450,000 | DTG LLC & Jobbers Canyon LLC | 7.50 | 551,537 |
| 1,495,000 | National Parks Service Redevelopment | — | 1,299,243 |
| 1,840,000 | Model 'T' Ford Building LLC | 6.50 | 1,897,276 |
| 1,000,000 | T.S. McShane LLC (P.E. Iler Bldg) | 6.00 | 1,316,671 |
| 8,490,000 | Sorenson Park Plaza Commercial | 6.00 | 9,883,756 |
| 510,750 | Sutherlands Plaza LLC | 6.50 | 644,557 |
| 525,000 | U.S. Food Service | 8.00 | 523,594 |
| 232,000 | The Village at Omaha LP 5217 South 28th Street LLC | 7.00 | 259,297 |
| 150,000 | Redevelopment | 7.00 | 158,656 |
| 108,000 | Underwood Properties, Inc. | 7.00 | 116,653 |

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2008



Tax Increment Notes and Bonds

| Original amount | Issue | Effective interest rate at issuance | December 31, 2008 |
|----------------------------|--|--|------------------------------|
| \$ 4,000,000 | Shamrock Parking LLC | 7.50% | \$ 6,181,492 |
| 566,000 | BM & J Holdings LLC | 7.00 | 634,254 |
| 389,000 | Rycan, Inc. d/b/a West & Willy Redevelopment | 6.70 | 456,595 |
| 275,000 | St Clair Condos LLC | 6.00 | 288,511 |
| 983,000 | Grover Street Acquisition LLC | 7.00 | 1,214,363 |
| 3,440,000 | BOCA Development | 7.00 | 3,438,587 |
| 9,750,000 | Brandeis Lofts LLC Condominiums | 7.00 | 7,448,551 |
| 1,950,000 | Jackson Lofts LLC Redevelopment | 6.50 | 2,331,960 |
| 2,709,950 | Benson Park Plaza Redev Phase II | 8.00 | 3,383,267 |
| 1,349,000 | Bushido University LLC | 7.25 | 1,627,866 |
| 239,817 | La Cuadra LLC | 7.80 | 267,172 |
| 104,000 | Nathan LP/Nathan Development LLC | 7.50 | 118,551 |
| 1,800,000 | River City Lodging LLC | 6.00 | 2,047,846 |
| 440,000 | The Hill Condo Conversions | 7.50 | 506,655 |
| 1,949,000 | North Central Group Redev Phase I | 7.25 | 2,314,495 |
| 2,315,500 | North Central Group Redev Phase II | 7.25 | 2,749,725 |
| 160,000 | DEEL Investments LLC | 8.00 | 191,783 |
| 1,100,000 | Kimball Lofts LLC | 8.50 | 1,321,929 |
| 2,528,000 | DMK Investments LLC | 6.50 | 2,955,115 |
| 15,639,284 | Townsend Investments (Wallstreet Towers) | 8.50 | 19,216,839 |
| 86,000 | CF Studio | 6.25 | 96,254 |
| 3,500,000 | jLofts Condominiums | 7.50 | 3,962,721 |
| 300,000 | James Tinsley Villas LLC | 7.50 | 339,662 |
| 1,000,000 | Downtown Dodge Developers LLC | 8.25 | 1,097,393 |
| 415,535 | P&A McGill LLC | 6.00 | 458,712 |
| 576,000 | Columbo LLC (Aksarben Place) | 7.50 | 651,235 |
| 1,546,998 | Zone 5 LLC (Aksarben Village) | 7.50 | 1,734,773 |
| 602,625 | Noddle AV2 LLC (Aksarben Project 1A) | 7.62 | 676,974 |
| 844,805 | Noddle AV3 LLC (Aksarben Project 1B) | 7.62 | 949,033 |
| 1,502,460 | Noddle AV4 LLC (Aksarben Project 1C) | 7.62 | 1,687,826 |
| 406,410 | Zone Three Commons LLC (Aksarben Project 1D) | 7.62 | 456,551 |
| 250,000 | S&S Properties LLC (Heartland Scenic Studios) | 7.50 | 260,993 |
| 1,370,000 | RHW Management Inc. (Aksarben Project 5) | 7.50 | 1,536,291 |
| 416,000 | Graham Ice Cream Building | 8.00 | 467,927 |

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2008



Tax Increment Notes and Bonds

| Original | | Effective interest rate | December 31, |
|-----------------|--|------------------------------------|-----------------------|
| \$ 5,000,000 | Broadmoor Development (Aksarben Project 4) | 7.50% | \$ 5,606,902 |
| 2,196,000 | Georgetown Properties (Aksarben Project 3) | 7.25 | 2,473,090 |
| 1,750,000 | Ontrack Development LLC | 8.50 | 2,134,003 |
| 215,000 | Salem Village | 8.75 | 259,317 |
| 539,000 | Giovanna Rows @ 6th & Pierce Redevelopment | 8.00 | 546,289 |
| 2,845,646 | Dial-Kinseth Development (Marriott Residence Inn) | 7.50 | 3,222,788 |
| 100,000 | Anzaldo Second Addition Redev | 8.00 | 113,523 |
| 1,370,000 | Caniglia Little Italy LLC Redev | 8.00 | 1,485,906 |
| 487,500 | S&R Development LLC (Metro OB-GYN) | 5.25 | 526,346 |
| 320,000 | Clarinda Condos | 8.00 | 337,745 |
| 37,439,000 | East Campus Realty (Midtown Crossing @ Turner Park) | 5.13 | 39,173,759 |
| 180,000 | DEEL Investments LLC (18th Street Row House) | 8.00 | 180,868 |
| 539,000 | Sheppard Heights (Incontro Enterprises LLC) | 8.00 | 633,456 |
| 3,603,000 | Skyline Retirement Community Development | 8.00 | 3,902,296 |
| 1,642,118 | Creighton University (Modern Equipment Company) | 6.00 | 1,751,982 |
| 691,000 | ALDI, Inc. (Sutherlands Plaza Redevelopment) | — | 691,000 |
| 142,000 | Sutherlands Plaza LLC | 7.50 | 143,371 |
| 4,123,223 | South 72nd Street Associates LLC | 7.00 | 4,234,719 |
| 420,000 | Storage Canada LLC (Dino's Storage) | 8.00 | 461,885 |
| 210,000 | Greenview Estates LLC Redevelopment | 7.25 | 213,838 |
| 1,000,000 | DLR AK5 LLC (DLR Group Building) | 6.75 | 1,044,199 |
| 483,000 | Blues Lofts, Inc. Redevelopment | 8.00 | 499,409 |
| 1,357,191 | Riverfront Compus Developers II LLC | 6.50 | 1,396,345 |
| 844,000 | Building 500 LLC (500 South 18th St.) | 7.50 | 846,601 |
| 293,500 | No Man's Land LLC (24th & Paul St.) | 6.75 | 294,694 |
| 715,000 | ALDI, Inc. | — | 715,000 |
| 643,000 | 901 Land LLC | 8.00 | 662,871 |
| 1,240,000 | Courtland Place No. 2 LLC | 8.00 | 1,303,053 |
| 12,000,200 | Quad Tech LLC (Blue Cross Centre) | 7.50 | 12,054,448 |
| | | | <u>\$ 265,746,930</u> |

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2008



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, 2008 is calculated as follows:

| | |
|-----------------------------------|------------------------------|
| Debt limit | \$ <u>927,847,755</u> |
| General obligation debt | 558,062,463 |
| General debt service fund balance | <u>18,976,244</u> |
| | <u>539,086,219</u> |
| Debt margin | \$ <u><u>388,761,536</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 July 24, 2008, the City issued \$75,540,000 of general obligation refunding bonds to provide resources to purchase investment securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$76,120,000 of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$2,944,654. 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 20 years by \$3,912,275 and resulted in an economic gain of \$2,650,746.

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2008



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, 2008 is shown below:

General Obligation Bonds

| | |
|----------------------------------|--------------------|
| 2004 Convention Center Series A | \$ 109,235,000 |
| 2000 Defeasance & Refunding | 2,430,000 |
| 2000 Various Purpose | 11,500,000 |
| 1999 Various Purpose & Refunding | 10,030,000 |
| | <u>133,195,000</u> |

Annexed Area Bonds

| | |
|-------------|-------------------|
| S.I.D. #203 | 1,695,000 |
| S.I.D. #379 | 1,450,000 |
| S.I.D. #384 | 3,515,000 |
| S.I.D. #423 | 1,200,000 |
| S.I.D. #433 | 2,670,000 |
| S.I.D. #449 | 2,520,000 |
| S.I.D. #461 | 1,705,000 |
| S.I.D. #470 | 2,380,000 |
| S.I.D. #423 | 1,390,000 |
| | <u>18,525,000</u> |

Total General Obligation Bonds 151,720,000

Business-Type Revenue Bonds

| | |
|-----------------------------------|-----------------------|
| 2001 Convention Center Hotel Bond | <u>102,275,000</u> |
| Total | <u>\$ 253,995,000</u> |

(7) Leases

The City is leasing libraries and other facilities under noncancelable lease-purchase agreements expiring at various times through 2033, at which time title will be conveyed to the City. The net book value of leased assets is approximately \$43 million. The rental payments are designed to equal the debt service requirements of certain nonprofit organizations that financed the construction of the facilities. The City has an option to purchase the facilities at any time by paying an amount equal to the total of all remaining unpaid lease obligations to the lessor at that time.

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2008



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, 2008:

| | Governmental activities | Business-type activities |
|---|------------------------------------|-------------------------------------|
| | <u> </u> | <u> </u> |
| Fiscal year ending: | | |
| 2009 | \$ 4,568,529 | 4,700,426 |
| 2010 | 4,589,334 | 4,702,827 |
| 2011 | 4,604,555 | 4,705,118 |
| 2012 | 4,579,392 | 4,691,538 |
| 2013 | 4,413,493 | 4,695,156 |
| 2014 – 2018 | 19,968,779 | 20,612,910 |
| 2019 – 2023 | 9,277,211 | 11,999,996 |
| 2024 – 2028 | 4,546,087 | 9,694,691 |
| 2029 – 2033 | — | 9,124,965 |
| | <u> </u> | <u> </u> |
| Total minimum lease payments | 56,547,380 | 74,927,627 |
| Less amount representing interest | <u>15,235,134</u> | <u>28,727,627</u> |
| Total principal obligation under capital leases with rates of interest from 2.00% to 7.98% | <u>\$ 41,312,246</u> | <u>46,200,000</u> |

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 2008 were approximately \$1,412,486.

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2008



(8) Receivables

Receivables at December 31, 2008 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>Sewer fund</u> | <u>Nonmajor</u> | <u>Total business- type activities</u> | <u>Total</u> |
|-----------------------------------|----------------------|-------------------------|-------------------|--|-------------------|-----------------|--|--------------------|
| Receivables: | | | | | | | | |
| Property taxes | \$ 63,428,978 | 45,868,177 | 3,897,824 | 113,194,979 | — | — | — | 113,194,979 |
| Telephone occupation tax | 3,028,514 | — | — | 3,028,514 | — | — | — | 3,028,514 |
| Hotel motel occupation tax | 354,151 | — | 32,802 | 386,953 | — | — | — | 386,953 |
| Vehicle rental occupation tax | 606,351 | — | — | 606,351 | — | — | — | 606,351 |
| Cable TV and Gas franchise fee | 1,243,758 | — | — | 1,243,758 | — | — | — | 1,243,758 |
| MUD in lieu of tax | 952,929 | — | — | 952,929 | — | — | — | 952,929 |
| OPPD in lieu of tax | 25,688 | 18,576 | 1,579 | 45,843 | — | — | — | 45,843 |
| Motor vehicle tax | 788,127 | — | — | 788,127 | — | — | — | 788,127 |
| Special assessment | — | 4,147,881 | 2,484,821 | 6,632,702 | — | — | — | 6,632,702 |
| State aid distribution | 1,023,034 | — | — | 1,023,034 | — | — | — | 1,023,034 |
| Charges for services and other | <u>7,103,993</u> | <u>—</u> | <u>4,678,718</u> | <u>11,782,711</u> | <u>4,289,930</u> | <u>107,287</u> | <u>4,397,217</u> | <u>16,179,928</u> |
| Total receivables | <u>\$ 78,555,523</u> | <u>50,034,634</u> | <u>11,095,744</u> | <u>139,685,901</u> | <u>4,289,930</u> | <u>107,287</u> | <u>4,397,217</u> | <u>144,083,118</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, 2008, the various components of deferred revenue and unearned revenue are as follows:

| | <u>Unavailable</u> | <u>Unearned</u> |
|--|-----------------------|-----------------|
| Property tax receivable (general fund) | \$ 63,428,978 | — |
| Property tax receivable (debt service fund) | 45,868,177 | — |
| Special assessments (debt service fund) | 4,147,881 | — |
| Property tax receivable (other governmental funds) | 3,897,824 | — |
| Special assessments (other governmental funds) | 2,484,821 | — |
| Grants (general fund) | 1,181,887 | — |
| Grants (other governmental funds) | <u>28,247,671</u> | <u>240,116</u> |
| | <u>\$ 149,257,239</u> | <u>240,116</u> |

(9) Employees' Retirement Plans

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

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2008



(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 16, 2007, Civilian Plan members are required to contribute, by payroll deduction, 8.325% of their annual covered salary and the City is required to contribute at a rate of 9.525% of annual covered salary. Administrative costs for management of the investment 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 \$4,695,162 for the employees and \$5,374,082 for the employer for the year ended December 31, 2008.

Participant Data

Membership of the Civilian Plan consists of the following at January 1, 2009:

| | |
|--------------------------------|--------------|
| Number of: | |
| Active members | 1,121 |
| Service retirements | 892 |
| Surviving spouses and children | 253 |
| Disabled | 92 |
| Deferred vested | 81 |
| Total participants | <u>2,439</u> |

The Civilian Plan is not subject to either the minimum funding standards of the Employee Retirement Income Security Act of 1974 or the maximum funding standards of the Employee Retirement Income Security Act of 1974 or the maximum funding limitations. Funding standards are actuarially determined using the entry age-normal cost method.

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2008



The information presented in the notes to financial statements and required supplementary information was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

| | |
|-------------------------------|---|
| Valuation date | January 1, 2008 |
| Actuarial cost method | Entry age normal method |
| Amortization method | Level percent closed |
| Remaining amortization period | 24 years |
| Asset valuation method | Adjusted value of plan assets 75% of expected value, plus 25% of market value |
| Actuarial assumptions: | |
| Investment rate of return | 8% per year |
| Projected salary increases | 4.5% per year |
| Cost of living adjustments | Lesser of 3% or \$50 per month |

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, 2008 are as follows:

| | |
|--|-------------------------------|
| Annual required contribution | \$ 9,212,669 |
| Interest on net pension obligation | 1,112,817 |
| Adjustment to annual required contribution | <u>(1,235,608)</u> |
| Annual pension cost | 9,089,878 |
| Contributions made | <u>(5,374,082)</u> |
| Increase in net pension obligation | 3,715,796 |
| Net pension obligation, beginning of year | <u>(13,910,207)</u> |
| Net pension obligation, end of year | <u><u>\$ (17,626,003)</u></u> |

The annual pension costs, the percentage of annual pension cost contributed, and the net pension obligation for 2008, 2007, and 2006 are as follows:

| | Schedule of employer contributions | | |
|--------------------|---|--|---------------------------------------|
| | <u>Annual pension cost (APC)</u> | <u>Percentage of APC contributed</u> | <u>Net pension obligation</u> |
| Fiscal year ended: | | | |
| 2008 | \$ 9,089,878 | 59% | (17,626,003) |
| 2007 | 8,794,542 | 57 | (13,910,207) |
| 2006 | 6,135,462 | 67 | (10,090,703) |

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2008



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. 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.

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.

Funding Status and Funding Progress – The funding status and funding progress is as follows:

| <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> |
|---------------------------------|--------------------------------------|--|----------------------------------|---------------------------|----------------------------|--|
| 2008 | 204.5 | 387.7 | 183.2 | 52.7% | 56.4 | 324.8% |

Summary financial information for the Civilian Plan is as follows:

| Assets | |
|------------------------------------|-----------------------|
| Due from other funds | \$ 204,579 |
| Receivables: | |
| Accrued interest | 755,373 |
| Other | 183,002 |
| Investments | <u>205,222,029</u> |
| Total assets | <u>\$ 206,364,983</u> |
| Liabilities | |
| Warrants payable | \$ 22,344 |
| Accounts payable | 410,178 |
| Due to other funds | <u>1,479,955</u> |
| Total liabilities | <u>1,912,477</u> |
| Net Assets | |
| Net assets: | |
| Held in trust for pension benefits | <u>204,452,506</u> |
| Total liabilities and net assets | <u>\$ 206,364,983</u> |

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2008



| | |
|--|----------------|
| Additions: | |
| Contributions: | |
| Employer | \$ 5,374,082 |
| Employee | 4,695,162 |
| | <hr/> |
| Total contributions | 10,069,244 |
| | <hr/> |
| Investment income (loss): | |
| Dividends and interest | 5,013,141 |
| Net depreciation in fair value of investments | (79,030,808) |
| Investment expenses | (1,739,834) |
| | <hr/> |
| Net investment loss | (75,757,501) |
| | <hr/> |
| Total additions | (65,688,257) |
| Deductions: | |
| Benefit payments | 23,953,415 |
| | <hr/> |
| Change in net assets | (89,641,672) |
| | <hr/> |
| Net assets held in trust for pension benefits, beginning of year | 294,094,178 |
| | <hr/> |
| Net assets held in trust for pension benefits, end of year | \$ 204,452,506 |
| | <hr/> <hr/> |

(b) Uniformed Plan

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

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

| <u>Bargaining Group</u> | <u>Employee rate</u> | <u>City rate</u> |
|-------------------------|----------------------|------------------|
| Fire Sworn | 15.40% | 21.02% |
| Fire Management | 15.45 | 21.07 |
| Police Sworn | 14.90 | 20.52 |
| Police Management | 14.57 | 20.19 |

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2008



In addition, the City will make contributions of \$1,327,600 annually through 2028. Administrative costs for management of the investment 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 \$14,858,953 for the employees and \$21,700,806 for the employer for the year ended December 31, 2008.

Participant Data

Membership of the Uniformed Plan consists of the following at January 1, 2009:

| | |
|--------------------------------|-------|
| Number of: | |
| Active members | 1,409 |
| Service retirements | 889 |
| Surviving spouses and children | 269 |
| Disabled | 253 |
| Deferred vested | 11 |
| Total participants | 2,831 |

The Uniformed Plan is not subject to either the minimum funding standards of the Employee Retirement Income Security Act of 1974 or the maximum funding standards of the Employee Retirement Income Security Act of 1974 or the maximum funding limitations. Funding standards are actuarially determined using the entry age-normal cost method.

The information presented in the notes to financial statements and required supplementary information was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

| | |
|-----------------------------------|--|
| Valuation date | January 1, 2008 |
| Actuarial cost method | Entry age normal method |
| Amortization method | Level percent of pay |
| Remaining amortization period | 25 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 annual salary increases | varying 4% through 6.5% |
| Final year wage adjustment | 10.0% |
| Cost of living adjustments | Lesser of 3% or \$50 per month (\$65 for fire retirements after June 30, 2007) |

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2008



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, 2008 are as follows:

| | | |
|--|----|----------------------------|
| Annual required contribution | \$ | 38,073,021 |
| Interest on net pension obligation | | 3,639,524 |
| Adjustment to annual required contribution | | (4,041,120) |
| | | <u>37,671,425</u> |
| Annual pension cost | | 37,671,425 |
| Contributions made | | <u>(21,700,806)</u> |
| | | 15,970,619 |
| Increase in net pension obligation | | 15,970,619 |
| Net pension obligation, beginning of year | | <u>(45,494,051)</u> |
| Net pension obligation, end of year | \$ | <u><u>(61,464,670)</u></u> |

Funding Status and Progress – The funding status and funding progress is as follows:

| <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> |
|---------------------------------|--------------------------------------|--|----------------------------------|---------------------------|----------------------------|--|
| 2008 | 365.9 | 947.6 | 581.7 | 38.6% | 99.5 | 584.6% |

The annual pension costs, the percentage of annual pension cost contributed, and the net pension obligation for 2008, 2007, and 2006 are as follows:

| | <u>Schedule of employer contributions</u> | | |
|--------------------|---|--------------------------------------|-------------------------------|
| | <u>Annual pension cost (APC)</u> | <u>Percentage of APC contributed</u> | <u>Net pension obligation</u> |
| Fiscal year ended: | | | |
| 2008 | \$ 37,671,425 | 58% | \$ (61,464,670) |
| 2007 | 34,563,067 | 60 | (45,494,051) |
| 2006 | 30,917,700 | 65 | (31,630,196) |

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. 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.

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2008



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.

Summary financial information for the Uniformed Plan is as follows:

| Assets | |
|------------------------------------|-----------------------|
| Receivables: | |
| Cash and cash equivalents | \$ 1,860,866 |
| Due from other funds | 2,250,128 |
| Receivables: | |
| Accrued interest | 1,279,204 |
| Other | 561,562 |
| Investments | <u>360,587,936</u> |
| Total assets | <u>\$ 366,539,696</u> |
| Liabilities | |
| Warrants payable | \$ 18,014 |
| Accounts payable | <u>597,804</u> |
| Total liabilities | <u>615,818</u> |
| Net Assets | |
| Net assets: | |
| Held in trust for pension benefits | <u>365,923,878</u> |
| Total liabilities and net assets | <u>\$ 366,539,696</u> |

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2008



| | |
|--|-----------------------|
| Additions: | |
| Contributions: | |
| Employer | \$ 21,700,806 |
| Employee | 14,858,953 |
| Total contributions | <u>36,559,759</u> |
| Investment income (loss): | |
| Dividends and interest | 9,278,599 |
| Net appreciation in fair value of investments | (157,072,909) |
| Investment expenses | <u>(2,546,870)</u> |
| Net investment income | <u>(150,341,180)</u> |
| Total additions | (113,781,421) |
| Deductions: | |
| Benefit payments | <u>50,218,091</u> |
| Change in net assets | (163,999,512) |
| Net assets held in trust for pension benefits, beginning of year | <u>529,923,390</u> |
| Net assets held in trust for pension benefits, end of year | <u>\$ 365,923,878</u> |

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2008



(10) Capital Assets

Capital asset activity for the year ended December 31, 2008 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 | \$ 124,934,430 | 8,453,952 | 344,200 | 133,044,182 |
| Cultural assets | 5,833,600 | — | — | 5,833,600 |
| Construction in progress | <u>68,503,903</u> | <u>(49,021,603)</u> | <u>—</u> | <u>19,482,300</u> |
| Total capital assets, not being depreciated | <u>199,271,933</u> | <u>(40,567,651)</u> | <u>344,200</u> | <u>158,360,082</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 544,059,230 | 22,987,547 | 547,600 | 566,499,177 |
| Machinery and equipment | 64,133,542 | 8,908,983 | 1,443,587 | 71,598,938 |
| Infrastructure | <u>441,017,718</u> | <u>127,829,628</u> | <u>—</u> | <u>568,847,346</u> |
| Total capital assets, being depreciated | <u>1,049,210,490</u> | <u>159,726,158</u> | <u>1,991,187</u> | <u>1,206,945,461</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 164,210,375 | 17,081,632 | — | 181,292,007 |
| Machinery and equipment | 45,808,549 | 4,193,314 | 1,367,321 | 48,634,542 |
| Infrastructure | <u>106,546,207</u> | <u>23,889,511</u> | <u>—</u> | <u>130,435,718</u> |
| Total accumulated depreciation | <u>316,565,131</u> | <u>45,164,457</u> | <u>1,367,321</u> | <u>360,362,267</u> |
| Total capital assets, being depreciated, net | <u>732,645,359</u> | <u>114,561,701</u> | <u>623,866</u> | <u>846,583,194</u> |
| Governmental activities capital assets, net | \$ <u><u>931,917,292</u></u> | <u><u>73,994,050</u></u> | <u><u>968,066</u></u> | <u><u>1,004,943,276</u></u> |

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2008



Depreciation expense was charged to functions/programs as follows:

| | |
|---|---------------|
| Governmental activities: | |
| General government | \$ 640,540 |
| Public safety | 3,403,609 |
| Community development | 711,841 |
| Ecological services | 770,026 |
| Culture and parks | 14,279,300 |
| Transportation services | 12,095,083 |
| | <hr/> |
| Total depreciation expense – governmental | \$ 31,900,399 |
| | <hr/> <hr/> |

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

| | <u>Beginning balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending balances</u> |
|--|-------------------------------|------------------|------------------|----------------------------|
| Convention Center Hotel Fund: | | | | |
| Capital assets, not being depreciated: | | | | |
| Cultural assets | \$ 498,366 | — | — | 498,366 |
| Capital assets, being depreciated: | | | | |
| Buildings | 71,222,245 | 35,995 | — | 71,258,240 |
| Machinery and equipment | 3,557,743 | 75,799 | — | 3,633,542 |
| Furniture and fixtures | 6,792,766 | 40,272 | — | 6,833,038 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total capital assets, being depreciated | 81,572,754 | 152,066 | — | 81,724,820 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Less accumulated depreciation for: | | | | |
| Buildings | 6,208,992 | 1,784,589 | — | 7,993,581 |
| Machinery and equipment | 2,401,180 | 707,638 | — | 3,108,818 |
| Furniture and fixtures | 4,745,396 | 1,374,070 | — | 6,119,466 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total accumulated depreciation | 13,355,568 | 3,866,297 | — | 17,221,865 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total capital assets, being depreciated, net | 68,217,186 | (3,714,231) | — | 64,502,955 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Convention Center Hotel Fund capital assets, net | \$ 68,715,552 | (3,714,231) | — | 65,001,321 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2008



| | <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 |
| Total capital assets, not being depreciated | <u>2,473,344</u> | <u>—</u> | <u>—</u> | <u>2,473,344</u> |
| Capital assets, being depreciated: | | | | |
| Leased buildings | 56,439,071 | — | — | 56,439,071 |
| Buildings | 4,567,229 | — | — | 4,567,229 |
| Total capital assets, being depreciated | <u>61,006,300</u> | <u>—</u> | <u>—</u> | <u>61,006,300</u> |
| Less accumulated depreciation for: | | | | |
| Leased buildings | 17,331,493 | 2,398,793 | — | 19,730,286 |
| Buildings | 3,796,509 | — | — | 3,796,509 |
| Total accumulated depreciation | <u>21,128,002</u> | <u>2,398,793</u> | <u>—</u> | <u>23,526,795</u> |
| Total capital assets, being depreciated, net | <u>39,878,298</u> | <u>(2,398,793)</u> | <u>—</u> | <u>37,479,505</u> |
| Parking Facilities Fund capital assets, net | <u>\$ 42,351,642</u> | <u>(2,398,793)</u> | <u>—</u> | <u>39,952,849</u> |

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2008



| | <u>Beginning balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending balances</u> |
|---|-------------------------------|-------------------|------------------|----------------------------|
| Sewer Revenue Fund: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 2,525,422 | 156,848 | — | 2,682,270 |
| Construction in progress | <u>32,216,512</u> | <u>22,691,294</u> | <u>9,123,897</u> | <u>45,783,909</u> |
| Total capital assets, not being depreciated | <u>34,741,934</u> | <u>22,848,142</u> | <u>9,123,897</u> | <u>48,466,179</u> |
| Capital assets, being depreciated: | | | | |
| Utility plant | 562,405,901 | 15,974,627 | — | 578,380,528 |
| Machinery and equipment | <u>15,955,554</u> | <u>952,362</u> | <u>—</u> | <u>16,907,916</u> |
| Total capital assets, being depreciated | <u>578,361,455</u> | <u>16,926,989</u> | <u>—</u> | <u>595,288,444</u> |
| Less accumulated depreciation for: | | | | |
| Utility plant | 240,568,769 | 16,373,889 | — | 256,942,658 |
| Machinery and equipment | <u>13,206,047</u> | <u>505,976</u> | <u>—</u> | <u>13,712,023</u> |
| Total accumulated depreciation | <u>253,774,816</u> | <u>16,879,865</u> | <u>—</u> | <u>270,654,681</u> |
| Total capital assets, being depreciated, net | <u>324,586,639</u> | <u>47,124</u> | <u>—</u> | <u>324,633,763</u> |
| Sewer Revenue Fund capital assets, net | <u>\$ 359,328,573</u> | <u>22,895,266</u> | <u>9,123,897</u> | <u>373,099,942</u> |

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2008



| | <u>Beginning balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending balances</u> |
|--|-------------------------------|------------------|------------------|----------------------------|
| Nonmajor Enterprise Funds: | | | | |
| Capital assets, not being depreciated: | | | | |
| Construction in progress | \$ — | 85,380 | — | 85,380 |
| Capital assets, being depreciated: | | | | |
| Buildings and systems | 9,571,123 | — | — | 9,571,123 |
| Machinery and equipment | 3,202,503 | 477,938 | — | 3,680,441 |
| Total capital assets, being depreciated | <u>12,773,626</u> | <u>477,938</u> | <u>—</u> | <u>13,251,564</u> |
| Less accumulated depreciation for: | | | | |
| Building and systems | 3,393,017 | 344,865 | — | 3,737,882 |
| Machinery and equipment | 3,004,204 | 145,510 | — | 3,149,714 |
| Total accumulated depreciation | <u>6,397,221</u> | <u>490,375</u> | <u>—</u> | <u>6,887,596</u> |
| Nonmajor Enterprise capital assets, net | <u>\$ 6,376,405</u> | <u>72,943</u> | <u>—</u> | <u>6,449,348</u> |

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2008



(11) Fund Deficits

Fund deficits exist in the following funds:

| | |
|--|--------------|
| Major Enterprise Funds: | |
| Parking Facilities | \$ 5,803,032 |
| Convention Center Hotel | 25,244,905 |
| Nonmajor Enterprise Fund: | |
| Printing and Graphics | 72,972 |
| Air Quality | 158,700 |
| Golf Operations | 713,653 |
| Compost | 29,671 |
| Nonmajor Capital Projects Funds: | |
| Missouri River Pedestrian Bridge | 5,415,630 |
| Back to the River Project | 1,405,000 |
| City Capital Improvement | 623,752 |
| 2000 Street & Highway 2001 #1 | 5,825 |
| 2006 Transportation | 406,496 |
| Downtown Stadium & Companion Projects | 10,633,158 |
| Pedestrian Trail Bridge – Joint use Omaha/Council Bluffs | 414 |
| Downtown Development | 3,523,045 |
| Capital Special Assessment | 106,808 |
| Nonmajor Special Revenue Funds: | |
| Park Development | 2,988,133 |
| Nebraska Affordable Housing Trust | 972,781 |
| Local Law Enforcement Block Grant | 80,812 |
| Lead-Based Paint Hazard Grant | 142,261 |
| School Related Grant | 122,504 |
| COPS More 1998 | 237,894 |
| Metro Drug Task Force Grants | 99,341 |
| Comprehensive Communities Program | 8,755 |
| COPS More Equipment Grant | 3,268,036 |
| COPS Phase One Grant | 8,493 |
| Juvenile Detention Grant | 7,933 |
| Weed Seed Phase Four | 273,321 |
| Fire Department Grants | 606,252 |
| Home Program Grant | 886,510 |
| Community Development Block Grant | 2,003,524 |
| EPA Administration Grants | 43,567 |
| Economic Development Incentive Grant | 288,325 |
| HUD Shelter Plus Care | 7,489 |
| Keno/Lottery Proceeds | 56,732 |
| Federal Emergency Management Agency | 4,106,607 |
| Emergency Shelter Grant | 43,477 |
| Lead NDEQ State Grant | 80,527 |

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2008



| | | |
|-------------------------------|----|---------|
| Domestic Violence Grants | \$ | 82 |
| Police Department Grants | | 66,199 |
| Neighborhood Initiative Grant | | 9,224 |
| Federal Fire Grant | | 230,489 |

(a) Major Enterprise Funds

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

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

(b) Nonmajor Enterprise Funds

The deficit in the Printing and Graphics, Golf Operations, Compost and Air Quality Funds will be eliminated by fee increases and reduction of expenses.

(c) Nonmajor Capital Funds

The elimination of fund deficits in the Nonmajor Capital Projects Funds will be accomplished by the receipt of deferred revenues, issuance of bonds and the collection of special assessments.

(d) Nonmajor Special Revenue Funds

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

Plan Description

The City sponsors a single-employer, defined benefit healthcare plan that provides certain postemployment healthcare benefits to eligible retirees and their dependents up to age 65 when they would be Medicare eligible in accordance with provisions established in Chapter 23 of the Omaha Municipal Code. The benefits include medical and prescription coverage. The rates paid by retirees are substantially lower than they would be under individual health insurance policies. This difference is an implicit rate subsidy and considered an Other Postemployment Benefit (OPEB). The plan is administered by the City. The plan does not issue separate financial statements.

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2008



Funding Policy

The contribution requirements of plan members and the City are established through labor negotiations, 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. All agreements are approved and can be amended by the Omaha City Council. Contributions are made to the plan based on a pay-as-you-go basis and the City self-insures this benefit. For the year ended December 31, 2008, the City paid \$15,479,325 for 1,201 retirees. Retiree contribution rates vary from 0% to 5% of an annual estimated premium depending on the bargaining group. Retiree contributions for 2008 were \$400,564.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The remaining amortization period is 29 years. The following table shows the components of the City's annual OPEB costs for the year, the amount actually contributed to the plan, and the changes in the City's net OPEB obligation:

| | |
|---|-----------------------------|
| Normal cost | \$ 23,600,000 |
| Amortization of unfunded actuarial accrued liability | 13,900,000 |
| Interest on net OPEB obligation | 600,000 |
| Adjustments to annual required obligation | <u>(500,000)</u> |
| Annual OPEB | 37,600,000 |
| Contributions made by employer | <u>(15,479,325)</u> |
| Change in net OPEB obligations | 22,120,675 |
| Net OPEB obligation, beginning of year | <u>15,892,277</u> |
| Net OPEB obligation, end of year | <u><u>\$ 38,012,952</u></u> |

The net OPEB cost is allocated to governmental activities, sewer enterprise fund, and other nonmajor enterprise funds.

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2008



The annual OPEB costs, the percentage of annual OPEB cost contributed and the net OPEB obligation for 2008 are as follows:

| | <u>Annual OPEB cost</u> | <u>Percentage of annual OPEB contributed</u> | <u>Net OPEB</u> |
|--------------------|-----------------------------|--|-----------------|
| Fiscal year ended: | | | |
| 2008 | \$ 37,600,000 | 41% | \$ 38,012,952 |
| 2007 | 28,600,000 | 44 | 15,892,277 |

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Funded Status and Funding Progress

The funded status of the plan as of March 1, 2008 and 2007 is as follows:

| | <u>2008</u> | <u>2007</u> |
|---|-----------------------|--------------------|
| Actuarial accrued liability (AAL) | \$ 388,500,000 | 307,500,000 |
| Actuarial value of plan assets | — | — |
| Unfunded actuarial accrued liability (UAAL) | <u>\$ 388,500,000</u> | <u>307,500,000</u> |
| Funded ratio | —% | —% |
| Covered payroll | \$ 155,900,000 | 153,600,000 |
| UAAL as a percentage of covered payroll | 249% | 200% |

Actuarial Methods and Assumptions

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan member to that point. The actuarial methods used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the March 1, 2008 actuarial valuation, the unit credit actuarial cost method was used. The actuarial assumptions included a 4% projected investment rate of return and an annual healthcare cost trend of 7.88% initially, reduced by decrements to an ultimate rate of 5% after five

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2008



years. Both rates include a 3.25% inflation assumption. The amortization of the unfunded actuarial accrued liability is calculated assuming 30 annual payments increasing at 4% per year.

(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 except for general liability for helicopters. 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 2008 and 2007 are as follows:

| | <u>Beginning of year liability</u> | <u>Current year claims</u> | <u>Claim payments</u> | <u>End of year liability</u> |
|------|--|------------------------------------|---------------------------|--------------------------------------|
| 2008 | \$ 19,982,871 | 47,177,910 | 44,989,375 | 22,171,406 |
| 2007 | 13,253,513 | 44,171,173 | 37,441,815 | 19,982,871 |

(14) Commitments

The City is a defendant in a number of lawsuits in its normal course of operations. In addition to the \$1,917,000 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 \$6.8 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.

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2008



(15) Pledged Revenues

GASB Statement No. 48 requires disclosures pertaining to future revenues that have been pledged or sold. The City has pledged specific revenues streams to secure the repayment of certain outstanding debt issues. The following table lists those revenues and the corresponding debt issue along with the purpose of the debt, the amount and term of the pledge remaining, the current fiscal year principal and interest on the debt, the amount of pledged revenue recognized during the current fiscal year and the approximate percentage of the revenue stream that has been committed if estimable:

| Issue | Type revenue pledged | Amount of revenue pledged | General purpose for debt | Term of commitment | Percentage of revenue pledged | Principal and interest for the year ended December 31, 2008 | Recognized for the year ended December 31, 2008 |
|---|--|---------------------------|---|--------------------|-------------------------------|---|---|
| Special tax revenue redevelopment (series 1998, 1999, 2002A, 2002B, 2004, 2007, 2007A, 2007B, 2008, 2008 refunding) | Community redevelopment property tax | \$ 68,578,837 | To finance infrastructure and capital improvements in redevelopment areas throughout the City | Through 2028 | 100% | \$ 3,309,680 | \$ 2,262,704 |
| Special obligation (series riverfront 2002A, 2002B and 2008 refunding) | Cigarette tax, TIP revenues, Sewer revenue, land sales and sales tax | 149,625,348 | To finance infrastructure and capital improvements in the Riverfront Business Park | Through 2032 | Various | 4,673,581 | 129,837,402 |
| Highway allocation (series 1999, 2004, 2006) | Street & highway gasoline taxes | 3,093,994 | To finance street improvements | Through 2026 | 100 | 253,578 | 29,459,975 |
| Convention Center Hotel (series 2007A) | Net operating revenue of the hotel | 211,461,966 | To finance the construction of the Convention Center Hotel | Through 2035 | 100 | 6,158,546 | 9,715,892 |
| Sanitary sewer system (series 2003, 2006) and NE Department of Environmental Quality (series C317079, C317319, C317375) | Operating revenue of the sanitary sewer system | 143,674,918 | To finance the construction and rehabilitation of the sanitary sewer system | Through 2036 | 100 | 7,394,390 | 41,969,126 |

CITY OF OMAHA, NEBRASKA

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December 31, 2008



(16) Subsequent Events

On June 3, 2009, the City issued City of Omaha Public Facilities Corporation Lease Revenue Bonds in the amount of \$65,000,000 bearing interest at 4.66%. Bond proceeds will be used to pay a portion of the costs of acquiring, constructing, furnishing and equipping a new 25,000-seat City of Omaha Baseball Stadium adjacent to the Qwest Center. The National Collegiate Athletic Association (NCAA) and College World Series of Omaha, Inc (CWS) have entered into a 26-year agreement whereby the NCAA commits to continue to hold the NCAA Division I Men's College World Series in Omaha, Nebraska and CWS will continue to conduct the event at the new Stadium.

The City anticipates that the entire cost of the Stadium will be approximately \$128,000,000, of which approximately \$31,000,000 will be paid from private donations; \$2,000,000 will be paid from the future concession agreement with the stadium's concessionaire; \$65,000,000 will be paid from the proceeds of the debt issue and \$30,000,000 will be paid from the proceeds of a series of completion bonds to be issued in early 2010. The project is scheduled for completion in early 2011.

On April 16, 2009, the City issued General Obligation Refunding Bonds in the amount of \$37,050,000 bearing interest at 3.11%. Bond proceeds will be used to refund \$37,460,000 of previously issued General Obligation bonds. This refunding was undertaken to reduce total debt service payments over the next 17 years by \$1,825,108 and resulted in an economic gain of \$721,236. The loan provides for annual principal payment ranging from \$785,493 to \$8,314,762 and semiannual interest payments each April 15 and October 15 through 2025.

(17) MECA

(a) Nature of Operations

MECA was incorporated under the Nebraska Nonprofit Corporation Act, Neb. Stat §21-1901, et seq. in the State of Nebraska. Formal operations of MECA commenced on August 25, 2000, when the City approved an Agreement and Lease between the City and MECA to implement the Convention Center/Arena Redevelopment Plan, to provide bond funds to MECA, to allow MECA to supervise the design and construction of the Convention Center/Arena Facility, to allow MECA to operate the Convention Center/Arena and Parking Facility for 99 years, and to provide a multiyear operating subvention from the City. The agreement and lease required the City to make annual subvention payments to MECA, initially to fund start-up, pre-construction, planning and other pre-operational activities, and thereafter to help offset anticipated annual operating losses. In 2004, MECA amended its agreement and lease with the City to provide for the repayment of construction funds. In 2006, MECA further amended the agreement and lease. Under the amended agreement and lease, the City agreed to transfer to MECA the final subvention amount of \$1,815,000 in 2008.

Title to the facility and all related infrastructure assets are vested with the City. Construction activities were principally funded by private donations and general obligation bonds of the City (the Project Funds). Construction costs, bond proceeds, and payments are not reflected in MECA's financial statements as these assets, liabilities, revenues, and expenditures are accounted for separately by the City.

CITY OF OMAHA, NEBRASKA

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Construction was completed and operations commenced for the Qwest Center Omaha facility during fiscal 2004.

In June 2004, MECA Authority entered into a facility management services and lease agreement with the City, to manage and operate the Civic Auditorium, the Music Hall, and the Mancuso Center (collectively referred to as the Civic Auditorium) for a three-year period beginning July 1, 2004. The City and MECA are required under the agreement to make advances to fund Civic Auditorium operations. Any advances made by MECA during the term of this agreement will be repaid through operating profits of the Civic Auditorium or through a subvention payment by the City in 2013. In March 2006, MECA and the City extended the Civic Auditorium lease agreement through June 30, 2012.

In May 2008, MECA entered into the Sixth Amendment to the Agreement and Lease with the City to implement the Downtown Omaha Stadium Project Plan by expanding the property currently leased to MECA under the agreement to provide adequate parking, to provide bond and donation funds to MECA, to allow MECA to operate the Omaha Baseball Stadium and additional parking areas. Construction of the stadium is expected to be completed by 2011. MECA also concurrently entered into agreements with the City, the National Collegiate Athletic Association, and College World Series, Inc. to clarify the terms by which the Men's College World Series Baseball Championship will be held at the Omaha Baseball Stadium for a 26-year term.

(b) Summary of Significant Accounting Policies

Reporting Entity – MECA is a component unit of the City, for financial reporting purposes. The GASB establishes the criteria used in determining which organizations should be included in financial statements. Accounting principles generally accepted in the United States of America require the inclusion of the transactions of government organizations for which an organization is financially accountable.

The extent of financial accountability is based upon several criteria including: appointment of a voting majority, imposition of will, financial benefit to or burden on a primary government, and financial accountability as a result of fiscal dependency.

MECA's financial statements are included in the City's financial statements as a discretely presented component unit.

Measurement Focus Basis of Accounting – MECA accounts for its operations on the flow of economic resources measurement focus and uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Accounting Standards – In its accounting and financial reporting, MECA follows the pronouncements of the GASB. In addition, MECA follows the pronouncements of all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2008



Revenue Recognition – MECA recognizes its suite license and club seat revenues over the life of the agreements. Amounts received in advance are recorded as deferred revenues based on the fair value of services to be provided to the licensee, as determined by management. Amounts received in excess of the fair value are recorded as donation revenue when received. Advance ticket sales, parking, facility rental deposits, and other event revenue received in advance are initially recorded as deferred revenues, which are recognized as revenues as the events take place or services are provided. Naming rights and advertising revenues will be recognized ratably over the life of the agreements.

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

Cash and Cash Equivalents – MECA considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable – Accounts receivable consist primarily of amounts receivable from various events. MECA provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. Management regularly reviews the accounts receivable listing to determine uncollectible amounts, at which time, any uncollectible receivables will be written off. Recoveries of accounts receivable previously written off are recorded when received.

Capital and Intangible Assets, Net – Capital assets are recorded at cost. Additions, renewals, and betterments are capitalized and recorded at cost. Expenses for maintenance and repairs are expensed as incurred. The cost and related accumulated depreciation of assets retired or sold is removed from the appropriate asset and contra-asset accounts, with the resulting gain or loss recognized.

Depreciation is provided in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line method. Building rights are amortized over 15 years, leasehold improvements are depreciated over 2 to 25 years and furniture, fixtures, and equipment are depreciated over 5 to 10 years.

Compensated Absences – Eligible employees are entitled to an all purpose time-off policy to use for vacation, illness or injury, and any personal business. The amount of paid-time off employees receive each year increases with the length of their employment, with a maximum accrual of 35 days. MECA accrues accumulated unpaid time-off pay when earned by the employee.

Net Assets – Invested in Capital Assets, Net of Related Debt – This component of net assets consists of capital assets, net of accumulated depreciation and related debt.

Unrestricted Net Assets – This component of net assets consists of net assets not meeting the definition of invested in capital assets, net of related debt.

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2008



Capital Improvements and Repair and Civic Reserves – As of June 30, 2007, the MECA board established a Capital Improvement Reserve in the amount of \$6,000,000. This reserve will be used to fund future upgrades and improvements to the facility. Expenditures from this reserve will be made for upgrade/improvement projects in excess of \$100,000. MECA board also established a Repair and Replacement Reserve in the amount of \$2,500,000. This fund will be used for all other capitalized asset purchases that are under \$100,000. Amounts will be added to the Reserves at the end of each fiscal year beginning in June 2008. Fifteen percent (15%) of MECA’s net operating profit shall be allocated to the Capital Improvement Reserve and twenty percent (20%) of MECA’s net operating profit shall be allocated to the Repair and Replacement Reserve, with a minimum funding requirement of \$600,000 per year broken out as follows: \$270,000 to the Capital Improvement Reserve and \$330,000 to the Repair and Replacement Reserve. On June 19, 2008, the MECA Board resolved to add \$2,000,000 to the reserve in June 2008. Of this amount, 45%, or \$900,000, was added to the Capital Improvement Reserve and 55%, or \$1,100,000 was added to the Repair and Replacement Reserve. The Civic Auditorium also has a reserve established, which is calculated at 50% of the Civic’s cash basis net profit.

Income Taxes – MECA is a tax exempt 501(c)(3) nonprofit corporation. In April 2006, MECA received a favorable ruling from the Internal Revenue Service (IRS) in response to a Private Letter Ruling request filed in July 2003. The ruling found that MECA is lessening the burdens of the City by managing the operations of Qwest Center Omaha. As a result of this finding, the IRS determined that the revenues derived from the facility’s operations are not subject to unrelated business income tax (UBIT).

(c) **Deposits and Investments**

Bank Deposits – MECA’s bank deposits are collateralized at June 30, 2008 as follows:

| | | |
|--------------------------------|----|--------------------------|
| Deposits per bank | \$ | 462,854 |
| Money market | | <u>9,872,140</u> |
| Total deposits | | 10,334,994 |
| FDIC coverage | | <u>100,000</u> |
| Uninsured and uncollateralized | \$ | <u><u>10,234,994</u></u> |

Investments – At June 30, 2008, MECA’s investments consist of numerous variable rate preferred securities with various maturity dates. During 2008, the auctions for these investments failed and the market became defunct. These investments remain valued at cost based on the par redemptions MECA has received to date and upon advice of MECA’s financial advisors. In addition, MECA has various mutual fund investments in a deferred compensation account.

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2008



(d) Property, Equipment, and Intangible Assets

Activity for the year ended June 30, 2008 for property, equipment, and intangible assets and accumulated depreciation are as follows:

| | July 1, 2007 | Additions | Dispositions | June 30, 2008 |
|--|-------------------------|--------------------|---------------------|--------------------------|
| Leasehold improvements | \$ 4,243,981 | 402,872 | — | 4,646,853 |
| Furniture, fixtures, and equipment | 8,595,327 | 336,340 | — | 8,931,667 |
| Building rights | 10,079,196 | — | — | 10,079,196 |
| Construction in progress | 112,071 | — | (112,071) | — |
| | <u>23,030,575</u> | <u>739,212</u> | <u>(112,071)</u> | <u>23,657,716</u> |
| Accumulated depreciation and amortization | <u>(4,639,691)</u> | <u>(1,788,599)</u> | <u>—</u> | <u>(6,428,290)</u> |
| Total | <u>\$ 18,390,884</u> | <u>(1,049,387)</u> | <u>(112,071)</u> | <u>17,229,426</u> |

(e) Long-Term Debt

MECA's long-term debt activity for the year ended June 30, 2008 is as follows:

| | Balance July 1, 2007 | Additions | Reductions | Balance June 30, 2008 |
|-----------------------|---------------------------------|------------------|--------------------|--------------------------------------|
| City | \$ 6,861,514 | — | (675,946) | 6,185,568 |
| Food service contract | 2,101,407 | — | (469,992) | 1,631,415 |
| Total | <u>\$ 8,962,921</u> | <u>—</u> | <u>(1,145,938)</u> | <u>7,816,983</u> |

Through the amended agreement and lease with the City, MECA agreed to exercise good faith and best efforts to raise and pay over to the City the sum of \$14,000,000 to offset additional funds provided by the City for the construction of the facility. Proceeds from the sale of Naming Rights were specifically identified as a source of repayment. The Naming Rights have been sold to Qwest Communications International, Inc. under a Convention Center/Arena Naming Rights Agreement, which terminates on September 1, 2018. As a result, the obligation for the repayment of this portion of the construction funds has been recorded as long-term debt payable to the City offset by recording intangible Building Rights.

Under a long-term contract for food service operations, MECA received a \$4 million interest-free loan from the contractor for the purchase of food service equipment and leasehold improvements. The loan is to be repaid over the 10-year period of the contract, which began in July 2003.

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2008



Debt service payments for the City and food service contract debt are as follows:

| | <u>Principal</u> | <u>Interest</u> |
|-------------|---------------------|------------------|
| Years: | | |
| 2009 | \$ 1,002,226 | 149,054 |
| 2010 | 1,002,226 | 149,054 |
| 2011 | 1,002,226 | 149,054 |
| 2012 | 1,002,226 | 149,054 |
| 2013 | 1,002,241 | 149,054 |
| 2014 – 2018 | 2,805,838 | 919,162 |
| | <u>\$ 7,816,983</u> | <u>1,664,432</u> |

(f) Commitments and Contingencies

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 CPI indexed annual payment to the contractor of \$672,663 for the year ended June 30, 2008. There are incentive provisions in the contract that may result in additional payments to the contractor. Such incentives totaled \$168,166 for the year ended June 30, 2008.

(g) Lease Agreements

MECA leases energy systems equipment and other various equipment. Lease expense was \$1,129 for the year ended June 30, 2008. The energy systems lease was paid in full during January 2007. As a result of the lease being paid in full during January 2007, MECA has recorded a prepaid expense, which will be amortized to lease expense over the remaining term of the original lease.

(h) Employee Benefits

MECA has established a 401(k) profit sharing plan for all employees. Participants can contribute up to 15% of their pretax compensation, subject to IRS limitations. MECA, at its discretion, may make matching contributions equal to a discretionary percentage of the participant's elective deferrals to be determined by MECA. MECA, at its discretion, may also make profit sharing contributions. No profit sharing contributions were made to the plan during the year ended June 30, 2008.

(i) Deferred Compensation

Effective November 18, 2004, certain MECA employees were able to participate in a nonqualified deferred compensation plan in the form of a Rabbi Trust. The Plan is intended to qualify as a plan described in Section 201(2) of the Employee Retirement Security Act and is maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees. MECA contributes a specified amount to the employees' accounts on an annual basis. The value of debt and equity securities held in the Rabbi Trust at June 30, 2008 was \$76, 883 and is included in investments.



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, 2008



| | Budgeted amounts | | Actual | Variance with final budget positive (negative) |
|--|--------------------|--------------------|--------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Property tax | \$ 60,919,217 | 60,919,217 | 61,795,651 | 876,434 |
| Motor vehicle taxes | 9,009,500 | 9,009,500 | 9,374,405 | 364,905 |
| City sales and use tax | 122,000,000 | 122,000,000 | 121,532,796 | (467,204) |
| Business taxes | 31,767,000 | 31,767,000 | 32,921,017 | 1,154,017 |
| Licenses and permits | 8,732,400 | 8,732,400 | 8,155,504 | (576,896) |
| Intergovernmental revenues | 8,946,200 | 8,946,200 | 9,437,282 | 491,082 |
| Charges for services | 18,306,119 | 18,306,119 | 19,842,674 | 1,536,555 |
| Interest income | 4,400,000 | 4,400,000 | 3,847,009 | (552,991) |
| Rent and royalties | 150,000 | 150,000 | 104,961 | (45,039) |
| Miscellaneous | 1,566,000 | 1,566,000 | 1,685,643 | 119,643 |
| Revenue from annexation | — | — | 909,777 | 909,777 |
| Total revenues | <u>265,796,436</u> | <u>265,796,436</u> | <u>269,606,719</u> | <u>3,810,283</u> |
| Expenditures: | | | | |
| General government: | | | | |
| Mayor's office | \$ 1,036,451 | 1,036,451 | 946,949 | 89,502 |
| City clerks | 642,184 | 642,184 | 548,787 | 93,397 |
| City council | 1,042,918 | 1,042,918 | 1,045,114 | (2,196) |
| Law | 3,611,722 | 3,611,722 | 3,327,073 | 284,649 |
| Human resources | 1,686,182 | 1,686,182 | 1,690,591 | (4,409) |
| Human rights and relations | 885,516 | 885,516 | 807,175 | 78,341 |
| Finance | 2,247,498 | 2,247,498 | 2,276,814 | (29,316) |
| Planning | 6,189,060 | 6,189,060 | 6,612,669 | (423,609) |
| Employee benefits | 20,204,634 | 20,204,634 | 19,359,233 | 845,401 |
| Other agencies | 30,425,288 | 27,893,388 | 24,771,327 | 3,122,061 |
| Total general government | <u>67,971,453</u> | <u>65,439,553</u> | <u>61,385,732</u> | <u>4,053,821</u> |
| Public safety: | | | | |
| Fire | 68,218,300 | 70,750,200 | 74,905,411 | (4,155,211) |
| Police | 91,931,522 | 91,931,522 | 93,597,942 | (1,666,420) |
| Total public safety | <u>160,149,822</u> | <u>162,681,722</u> | <u>168,503,353</u> | <u>(5,821,631)</u> |
| Public works: | | | | |
| Environmental | 13,465,435 | 13,465,435 | 12,746,857 | 718,578 |
| Street and highway | 1,746,872 | 1,746,872 | 2,241,540 | (494,668) |
| Total public works | <u>15,212,307</u> | <u>15,212,307</u> | <u>14,988,397</u> | <u>223,910</u> |
| Culture and recreation: | | | | |
| Parks and recreation | 17,400,010 | 17,400,010 | 17,887,259 | (487,249) |
| Libraries | 8,312,587 | 8,312,587 | 8,173,587 | 139,000 |
| Convention and tourism | — | — | — | — |
| Total culture and recreation | <u>25,712,597</u> | <u>25,712,597</u> | <u>26,060,846</u> | <u>(348,249)</u> |
| Total expenditures | <u>269,046,179</u> | <u>269,046,179</u> | <u>270,938,328</u> | <u>(1,892,149)</u> |
| (Deficiency) excess of revenues over expenditures | <u>(3,249,743)</u> | <u>(3,249,743)</u> | <u>(1,331,609)</u> | <u>(1,918,134)</u> |
| Net changes in fund balances | <u>(3,249,743)</u> | <u>(3,249,743)</u> | <u>(1,331,609)</u> | <u>(1,918,134)</u> |
| Fund balances – beginning of year: | 3,249,743 | 3,249,743 | 6,555,432 | (3,305,689) |
| Lapsed encumbrances | — | — | 423,589 | (423,589) |
| Transfer – Contingency Liability Fund | — | — | (200,000) | 200,000 |
| Transfer – Stormwater Fund | — | — | 322,162 | (322,162) |
| Fund balances – end of year | <u>\$ —</u> | <u>—</u> | <u>5,769,574</u> | <u>(5,769,574)</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 – and Actual – General Fund

Year ended December 31, 2008



(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.

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 – and Actual – General Fund

Year ended December 31, 2008



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: | |
| 2007 carryover to 2009 | \$ 3,896,110 |
| 2008 carryover to 2010 | <u>1,873,464</u> |
| Total budget basis | 5,769,574 |
| Basis differences: | |
| Taxes accrued | 22,612,615 |
| Accrued interest | 473,762 |
| Encumbrances | 2,162,667 |
| Inventories | <u>647,796</u> |
| GAAP basis | \$ <u><u>31,666,414</u></u> |

(3) Expenditures in Excess of Budget

Budgeted expenditures were exceeded in the following departments/divisions:

| <u>Department/division</u> | <u>Amount</u> |
|----------------------------|---------------|
| General fund: | |
| City council | \$ (2,196) |
| Human resources | (4,409) |
| Finance | (29,316) |
| Planning | (423,609) |
| Public safety: | |
| Fire | (4,155,211) |
| Police | (1,666,420) |
| Public works: | |
| Street and highway | (494,668) |
| Parks and recreation | (487,249) |

CITY OF OMAHA, NEBRASKA

Schedule of Funding Progress and Employer Contributions

Year ended December 31, 2008



Civilian Plan Schedule of Funding Progress (Unaudited)

(Dollars in millions)

| Actuarial valuation date | Actuarial value of assets (a) | Actuarial accrued liability (AAL) entry age (b) | Unfunded AAL (UAAL) (b-a) | Funded ratio (a/b) | Covered payroll (c) | UAAL as a percentage of covered payroll ((b-a)/c) |
|---------------------------------|--------------------------------------|--|----------------------------------|---------------------------|----------------------------|--|
| 2008 | \$ 204.5 | 387.7 | 183.2 | 52.7% | \$ 56.4 | 324.8% |
| 2007 | 294.7 | 369.0 | 74.3 | 79.9 | 54.0 | 137.6 |
| 2006 | 292.0 | 361.7 | 69.7 | 80.7 | 48.2 | 144.6 |
| 2005 | 277.1 | 352.0 | 74.9 | 78.7 | 53.4 | 140.3 |
| 2004 | 270.8 | 327.9 | 57.1 | 82.6 | 53.2 | 107.3 |
| 2003 | 250.1 | 316.7 | 66.6 | 79.0 | 54.9 | 121.3 |

Required Supplementary Information

Civilian Plan Schedule of Employer Contributions (Unaudited)

| Fiscal year ended | Annual pension cost (APC) | Percentage of APC contributed | Net pension obligation |
|--------------------------|----------------------------------|--------------------------------------|-------------------------------|
| 2008 | \$ 9,089,878 | 59% | \$ (17,626,003) |
| 2007 | 8,794,542 | 57 | (13,910,207) |
| 2006 | 6,135,462 | 67 | (10,090,703) |
| 2005 | 6,822,028 | 65 | (8,100,275) |
| 2004 | 6,815,746 | 65 | (5,778,439) |
| 2003 | 6,176,321 | 70 | (3,411,896) |

CITY OF OMAHA, NEBRASKA

Schedule of Funding Progress and Employer Contributions

Year ended December 31, 2008



Uniformed Plan Schedule of Funding Progress (Unaudited)
(Dollars 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> |
|---------------------------------|--------------------------------------|--|----------------------------------|---------------------------|----------------------------|--|
| 2008 | \$ 365.9 | 947.6 | 581.7 | 38.6% | \$ 99.5 | 584.6% |
| 2007 | 530.8 | 882.7 | 351.9 | 60.1 | 99.6 | 353.3 |
| 2006 | 507.6 | 801.1 | 293.5 | 63.4 | 91.7 | 320.1 |
| 2005 | 453.3 | 703.8 | 250.5 | 64.4 | 86.8 | 288.6 |
| 2004 | 420.3 | 543.9 | 123.6 | 77.3 | 82.1 | 150.5 |
| 2003 | 383.7 | 511.9 | 128.2 | 75.0 | 85.1 | 150.6 |

Uniformed Plan Schedule of Employer Contributions (Unaudited)

| <u>Fiscal year ended</u> | <u>Annual pension cost (APC)</u> | <u>Percentage of APC contributed</u> | <u>Net pension obligation</u> |
|--------------------------|----------------------------------|--------------------------------------|-------------------------------|
| 2008 | \$ 37,671,425 | 58% | \$ (61,464,670) |
| 2007 | 34,563,067 | 60 | (45,494,051) |
| 2006 | 30,917,700 | 65 | (31,630,196) |
| 2005 | 26,145,454 | 78 | (20,884,106) |
| 2004 | 22,487,399 | 75 | (12,500,861) |
| 2003 | 23,323,354 | 74 | (6,788,891) |

CITY OF OMAHA, NEBRASKA

Schedule of Funding Progress and Employer Contributions

Year ended December 31, 2008



**Postretirement Obligation Schedule of
Funding Progress**

Schedule of Funding Progress (Unaudited)

| <u>Actuarial valuation date</u> | <u>Actuarial value of assets (a)</u> | <u>Actuarial accrued liability (AAL) (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> |
|-------------------------------------|--|--|--|-------------------------------|------------------------------------|--|
| March 1, 2008 | \$ — | 388,500,000 | 388,500,000 | —% | \$ 153,600,000 | 249% |
| March 1, 2006 | — | 307,500,000 | 307,500,000 | — | 153,700,000 | 200 |



SINGLE AUDIT SECTION

CITY OF OMAHA, NEBRASKA
 Schedule of Expenditures of Federal Awards
 Year ended December 31, 2008

Schedule



| Federal grantor/pass-through grantor/program title | Grant number | CFDA number | 2008 expenditures |
|---|-----------------------|----------------|----------------------|
| U.S. Department of Health and Human Services: | | | |
| Direct program: | | | |
| Metropolitan Medical Response System | N/A | 93.585 | \$ 785,717 |
| U.S. Department of Homeland Security: | | | |
| Direct program: | | | |
| Assistance to Fire Fighters Grant | Various | 97.044 | 576,523 |
| Interoperable Communications Equipment | 2004-INWX-0013 | 97.055 | 5,477,507 |
| Passed through Nebraska Emergency Management Agency: | | | |
| Urban Area Security Initiative | 2005-GET5-0020 | 97.067 | 924,224 |
| Urban Area Security Initiative | 2006-GET6-0016 | 97.067 | 2,046,707 |
| Federal Disaster Declaration 1770 | Declaration 1770 | 97.036 | 652,412 |
| Federal Disaster Declaration 1779 | Declaration 1779 | 97.036 | 3,371,385 |
| Total U.S. Department of Homeland Security | | | <u>13,048,758</u> |
| U.S. Department of Housing and Urban Development: | | | |
| Direct programs: | | | |
| Community Development Block Grants/Entitlement Grants | B-04/05-MC-31-0002 | 14.218 | 7,013,177 |
| Emergency Shelter Grants Program | S-00/01-MC-31-0001 | 14.231 | 337,496 |
| HOME Investment Partnership Program | M-95/01-MC/DC-31-0203 | 14.239 | 2,783,059 |
| Economic Development Incentive | Various | 14.246 | 195,434 |
| Fair Housing Assistance Program | FF207K00/017008 | 14.401 | 92,644 |
| Lead-Based Paint Hazard Control | Various | 14.900 | 1,391,444 |
| Shelter Plus Care | N/A | 14.218 | 101,750 |
| Neighborhood Development Incentives | B-01-NI-NE-OM-0014 | 14.246 | 175,954 |
| Total U.S. Department of Housing and Urban Development | | | <u>12,090,958</u> |
| U.S. Department of Interior: | | | |
| Passed through Nebraska State Historical Society – Historic Preservation Fund Grants-in-Aid | 2005 | 15.904 | 27,400 |
| U.S. Department of Justice: | | | |
| Direct programs: | | | |
| Juvenile Justice & Delinquency | 2006-JLFX-K073 | 16.540 | 734,398 |
| Rural Domestic Violence & Child Victimization | 2006-WRAX-0005 | 16.589 | 146,680 |
| Grants to Encourage Arrest Policies | 2005-WEAX-0035 | 16.590 | 318,049 |
| Public Safety Partnership and Community Policing Grants (COPS) | Various | 16.710 | 365,413 |
| Weed & Seed | Various | 16.725 | 545,789 |
| G.R.E.A.T. Grant | Various | 16.737 | 114,275 |
| Justice Assistance Grant | Various | 16.738 | 526,574 |
| Paul Coverdell Forensic Sciences Improvement Grant Program | 2007-CDBX-0021 | 16.742 | 94,950 |
| 2007 Edward Byrne Memorial Discretionary Grants Program | 2007-DDBX-0604 | 16.580 | 160,764 |
| Passed through State of Nebraska Commission on Law Enforcement and Criminal Justice: | | | |
| Juvenile Accountability Incentive Block Grants | 06-JA-601 & 05-JA-601 | 16.523 | 98,419 |
| Project Safe Neighborhoods | Various | 16.609 | 152,892 |
| Metro Drug Task Force | 06-DA-307 & 07-DA-306 | 16.738 | 182,052 |
| Total U.S. Department of Justice | | | <u>3,440,255</u> |
| U.S. Department of Transportation: | | | |
| Passed through State of Nebraska Department of Roads: | | | |
| Highway Planning and Construction | Various | 20.205 | 9,342,456 |
| NOHS Mini Grant-Motorcycle Wireless Equipment | C8-30 | 20.600 | 20,648 |
| NOHS Mini Grant-Digital In-Car Cameras | 410-08-2 | 20.601 | 21,000 |
| Total U.S. Department of Transportation | | | <u>9,384,104</u> |
| U.S. Environmental Protection Agency: | | | |
| Passed through State of Nebraska Department of Environmental Quality: | | | |
| Air Pollution Control Program Support | BG997325-A1 | 66.001 | 70,500 |
| Office of National Drug Control Policy: | | | |
| Direct Programs – High-Intensity Drug Trafficking Area | Various | NA | 273,481 |
| Total expenditures of federal awards | | | <u>\$ 39,121,173</u> |

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

CITY OF OMAHA, NEBRASKA

Notes to Schedule of Expenditures and Federal Awards

Year ended December 31, 2008



(1) Reporting Entity

The reporting entity for the schedule of expenditures of federal awards (SEFA) is the same as that disclosed in note 1 to the financial statements, except for MECA which is audited separately.

(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, 2008:

| | |
|-----------------------------------|--------------------------|
| Community Development Block Grant | \$ <u><u>460,975</u></u> |
|-----------------------------------|--------------------------|

The following is the outstanding principal balance of the HOME Investment Partnership Program at December 31, 2008:

| | |
|-------------------------------------|----------------------------|
| HOME Investment Partnership Program | \$ <u><u>1,232,159</u></u> |
|-------------------------------------|----------------------------|

Current year loans of \$0 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, 2008:

| | |
|---|-----------------------------|
| Zorinsky Project | \$ 391,677 |
| Capitalization Grants for Clean Water State Revolving Funds | <u>34,879,284</u> |
| Total | \$ <u><u>35,270,961</u></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, 2008 in the amount of \$9,229,284.



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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, 2008, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 26, 2009. Our report was modified to include a reference to other auditors and the adoption of Governmental Accounting Standards Board Statement No. 50. 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. Other auditors audited the financial statements of Metropolitan Entertainment and Convention Authority (MECA), the discretely presented component unit, as described in our report on the City's financial statements. The financial statements of MECA were not audited in accordance with *Government Auditing Standards*. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance or other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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

financial reporting described in the accompanying schedule of findings and questioned costs to be a material weakness (Finding #08-01).

A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting (Finding #08-02).

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*.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response, and accordingly, we express no opinion on it.

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
August 26, 2009



KPMG LLP

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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, 2008. 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 a discretely presented component unit, 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.

In our opinion, 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, 2008.

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, but not for the purpose

of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 08-03 and 08-04 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response, and accordingly, we express no opinion on it.

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
August 26, 2009

CITY OF OMAHA, NEBRASKA

Notes to Schedule of Findings and Questioned Costs
Year ended December 31, 2008



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

- (a) The type of report issued on the basic financial statements: *Unqualified opinions*
- (b) Material weaknesses in internal control were disclosed by the audit of the basic financial statements: *Yes*

Significant deficiencies in internal control were disclosed which were not material weaknesses: *Yes*
- (c) Noncompliance which is material to the basic financial statements: *No*
- (d) Material weaknesses in internal control over major programs: *No*

Significant deficiencies in internal control over major programs which were not material weaknesses: *Yes*
- (e) The type of report issued on compliance for major programs: *Unqualified opinions*
- (f) Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: *No*
- (g) Major programs: *Highway Planning and Construction (20.205); Lead-Based Paint Hazard Control (14.900); Interoperable Communications Equipment (97.055); Urban Area Security Initiative (97.067); and Public Assistance Grants (97.036)*
- (h) Dollar threshold used to distinguish between Type A and Type B programs: *\$1,173,960*
- (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 #08-01

Program: Not applicable.

Federal Grantor Agency: Not applicable.

Criteria: Governments are required to establish internal controls over access to IT systems.

Condition: The City's IT service provider did not have adequate controls over access to financial systems. Specifically, 20 active accounts had system administrator responsibilities. Twelve terminated employees had access to the system. Password complexity was not enforced. User accounts did not have password expirations.

Questioned Costs: None.

Context: IT general internal controls were determined to be ineffective.

Cause: The service provider has not effectively monitored access.

CITY OF OMAHA, NEBRASKA

Notes to Schedule of Findings and Questioned Costs

Year ended December 31, 2008



Effect: Errors were not identified and audit procedures were adjusted accordingly.

Recommendation: We recommend that the City's service provider establish internal controls over access to IT information systems. Access to the system administrator function should be limited to a few individuals. Password complexity should be enforced. Terminated employees should be removed from the system.

Management Response: The service provider has adopted additional access controls during June 2008. Annually, all user accounts are reviewed by the City to ensure the appropriate people have access to the System.

Responsible Official: Al Herink

Finding #08-02

Program: Not applicable.

Federal Grantor Agency: Not applicable.

Criteria: The City should have internal controls in place to record expenses in the correct year.

Condition: An invoice for \$3,291,965 for a transfer of land was recorded as an accrued liability in the City's 2008 financial statements, however, it should not have been recorded until 2009.

Questioned Costs: None.

Context: An audit adjustment of \$3,291,965 was made.

Cause: The City's internal controls failed to catch a material error.

Effect: The financial statements were misstated.

Recommendation: The review process over disbursements needs to be strengthened.

Management Response: The City's controls for monitoring and recording year-end expenditures are thorough and quite extensive. After year-end payments are initially approved for payment by the receiving department, payments are then reviewed by trained disbursements personnel. Payments in excess of \$25,000 are reviewed and approved by the project accountant. In the future, the Finance Department will run a report of all year-end payment in excess of \$25,000 and perform an additional review.

Responsible Official: Al Herink

(3) Findings and Questioned Costs Relating to Federal Awards

Finding #08-03

Programs: 20.205 Highway Planning and Construction; pass-through grant number 0317319, 97.044 Assistance to Firefighters Grant; grant number EMW 2006 FG 07794, 02653, 02660, and FF 04370, and 97.036 Federal Disaster Declarations 1770 and 1779.

CITY OF OMAHA, NEBRASKA

Notes to Schedule of Findings and Questioned Costs

Year ended December 31, 2008



Federal Grantor Agency: U.S. Department of Transportation and U.S. Department of Homeland Security.

Criteria: The City is responsible to prepare the Schedule of Expenditures of Federal Awards (SEFA) in accordance with OMB Circular A-133.

Condition: The City incorrectly stated expenditures on the SEFA for CFDA No. 20.205 by \$5.77 million, and expenditures for CFDA Nos. 97.036 and 97.044 were omitted from the SEFA, resulting in an understatement of \$4.61 million.

Questioned Costs: None.

Cause/Context: Internal controls over preparation of the SEFA are ineffective.

Effect: CFDA No. 20.205 was overstated by \$5.77 million and CFDA Nos. 97.036 and 97.044 were understated by \$4.61 million. The SEFA was subsequently corrected.

Recommendation: We recommend the City assign responsibility to review the SEFA after preparation.

Management Response: The City's Grant Accountant will be responsible to coordinate the completion of the Schedule of Expenditures of Federal Awards. A financial system report will be prepared that lists all awards with any fiscal year activity. This report will be reconciled with the SEFA schedule by the City's Grant Accountant. After the SEFA schedule is completed, a final review will be performed by the Accounting Manager. Corrective action will be completed by December 2009.

Responsible Official: Al Herink

Finding #08-04

Programs: Urban Area Security (97.067) grants 2005 – GET5-0020 and 2006 – GET6-0016.

Federal Grantor Agency: U.S. Department of Homeland Security.

Criteria: The City is required to ensure that subrecipients expending more than \$500,000 or more in Federal awards have met the audit requirements of OMB Circular A-133.

Condition: The City did not have internal controls in place to obtain and review subrecipient audits.

Questioned Costs: None.

Cause/Context: Internal controls over subrecipient monitoring are ineffective. The City did not obtain subrecipient A-133 reports for two out of two subrecipients selected for review.

Effect: Noncompliance or control deficiencies at subrecipients could go undetected.

Recommendation: Procedures should be established to obtain subrecipient audit reports.

CITY OF OMAHA, NEBRASKA

Notes to Schedule of Findings and Questioned Costs

Year ended December 31, 2008



Management Response: It will be the City's responsibility to generate and keep up to date a subrecipient listing. The City's grant accountant will monitor subrecipient grantees and request audit reports when necessary. Quarterly the Manager of Budget and Accounting will review this process.

Responsible Official: Al Herink