



CITY OF OMAHA, NEBRASKA

Basic Financial Statements
and A-133 Reports

December 31, 2007

(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, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Metropolitan Entertainment and Convention Authority (MECA), which represents 100% of the total assets and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for MECA, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of MECA were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Omaha, Nebraska as of December 31, 2007, 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 discussed in note 12 to the financial statements, as of January 1, 2007, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. In addition, as discussed in note 14, the City annexed the City of Elkhorn as of March 1, 2007. As a result of the annexation, the City reflected a change in reporting entity.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 26, 2008 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 3 through 14, the Budgetary Comparison Information on pages 78 through 80, and the Required Supplementary Information on pages 81 through 83 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 84 and 85 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.

/s/ KPMG LLP

Omaha, Nebraska
August 26, 2008

CITY OF OMAHA, NEBRASKA

Management's Discussion and Analysis

Year ended December 31, 2007

(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, 2007. 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 2007

- The assets of the City, on a governmentwide basis excluding component units, exceeded its liabilities at the close of fiscal year 2007 by \$597.1 million (net assets). Of this amount, \$89.7 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$2.6 million from the prior year. Of this amount, \$5.2 million was an increase in governmental activities and \$2.6 million was a decrease in business-type activities. The decrease in net assets related to business-type activities is primarily attributable to the loss by the Convention Center Hotel in the amount of \$2.9 million.
- As of December 31, 2007, the City's governmental funds reported combined ending fund balances of \$109.3 million, an increase of \$6.0 million in comparison with the prior year. The major debt service fund increased its fund balance by \$2.3 million and nonmajor capital and special revenue funds increased their fund balances by \$8.5 million during the year. These increases were offset by a reduction in the General Fund balance of \$4.7 million. The reduction of General Fund fund balance is attributed to the year-end 2007 encumbrances being \$2.7 million lower than 2006 and an unusually high year-end sales tax refund of \$3.0 million. Of the combined governmental funds ending fund balances, approximately 48%, or \$52.3 million, is unreserved.
- The General Fund, on a current fiscal resources basis, reported an excess of revenues over expenditures, lapsed encumbrances and transfers of \$1.3 million. Revenues above budget in the amount of \$2.4 million and expenditures under budget, lapsed encumbrances and year-end transfers in the amount of \$1.5 million account for a 2007 year-end carryover reserve of \$3.9 million.
- At the end of the current fiscal year, the unreserved fund balance for the general fund was \$27.1 million, or 10% of general fund expenditures.
- Finalizing a two-year legal challenge by the City of Elkhorn (Elkhorn), the Nebraska Supreme Court issued a ruling upholding the City annexation of Elkhorn. On March 1, 2007, the annexation of Elkhorn by the City became official. Upon annexation the City assumed all of Elkhorn's assets and liabilities. Consequently the beginning fund balances of the governmental funds and sewer fund were restated and increased by \$3.5 million and \$5.7 million, respectively. The beginning net assets balances of the governmentwide statement were restated and increased by \$9.9 million. See note 14 for the details.
- The City maintained its AAA bond rating from Standard & Poor's Corporation and Moody's Investors Service.

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(Unaudited)

Overview of the Financial Statements

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

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

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.

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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.

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

The 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 eighty-four 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

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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 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 77 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 2007 budget information and the City's progress in funding its obligation in both pension and other post employment benefits. Required supplementary information can be found on pages 78 through 83 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 \$597.1 million at the close of fiscal year 2007. By far, the largest portion of the City's net assets (81%) 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	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 276	242	76	88	352	330
Capital assets	932	841	477	459	1,409	1,300
Total assets	<u>\$ 1,208</u>	<u>1,083</u>	<u>553</u>	<u>547</u>	<u>1,761</u>	<u>1,630</u>
Current and other liabilities	\$ 41	32	9	9	50	41
Long-term liabilities	839	739	275	271	1,114	1,010
Total liabilities	<u>880</u>	<u>771</u>	<u>284</u>	<u>280</u>	<u>1,164</u>	<u>1,051</u>
Net assets:						
Invested in capital assets net of related debt	261	237	222	244	483	481
Restricted net assets	17	15	7	12	24	27
Unrestricted net assets	50	60	40	11	90	71
Total net assets	<u>328</u>	<u>312</u>	<u>269</u>	<u>267</u>	<u>597</u>	<u>579</u>
Total liabilities and net assets	<u>\$ 1,208</u>	<u>1,083</u>	<u>553</u>	<u>547</u>	<u>1,761</u>	<u>1,630</u>

In the Basic Financial Statement section of this report, 2007 beginning fund balances have been restated due to the March 1, 2008 annexation of Elkhorn. For comparison purposes, 2006 balances are presented in this Management's Discussion and Analysis section. See note 14 on page 71 for details.

Approximately 4%, or \$24 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, 15% or \$90 million, may be used to meet the government's ongoing obligations to citizens and creditors.

At December 31, 2007, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for the separate governmental and business-type activities.

Governmental Activities

Governmental activities increased the City's net assets by \$15 million as shown on the statement of activities, accounting for 83% of the total growth in the net assets of the City. This increase resulted in large part from contributed assets including the addition of infrastructure due to annexation and contributions of infrastructure assets from developers.

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(Unaudited)

Business-type Activities

The net assets of the City's business-type activities increased from approximately \$266.6 million to \$269.7 million. The City generally can only use these net assets to finance the continuing operation of its enterprise operations. A key element of this increase was the annexation of Elkhorn. At the time of annexation the City of Omaha assumed the assets of Elkhorn's sewer treatment facility. The net book value of the assets at the time of annexation was \$5.7 million.

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	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 61.9	58.6	56.9	51.7	118.8	110.3
Operating grants and contributions	76.4	52.9	—	—	76.4	52.9
Capital grants and contributions	29.6	17.1	4.5	9.0	34.1	26.1
General revenues:						
Sales and use tax	116.1	113.6	—	—	116.1	113.6
Property tax	114.9	99.4	—	—	114.9	99.4
Other taxes	45.3	42.9	—	—	45.3	42.9
Unrestricted investment earnings	6.7	5.4	2.8	0.5	9.5	5.9
Other	(0.1)	—	—	—	(0.1)	—
Total revenues	<u>450.8</u>	<u>389.9</u>	<u>64.2</u>	<u>61.2</u>	<u>515.0</u>	<u>451.1</u>
Expenses:						
General government	56.3	40.2	—	—	56.3	40.2
Public safety	219.9	193.3	—	—	219.9	193.3
Transportation services	53.2	47.0	—	—	53.2	47.0
Other public services	15.7	14.8	—	—	15.7	14.8
Community development	19.5	19.8	—	—	19.5	19.8
Culture and parks	44.9	37.8	—	—	44.9	37.8
Interest on long-term debt	34.7	32.4	—	—	34.7	32.4
Convention Center Hotel	—	—	11.3	11.6	11.3	11.6
Sewage treatment	—	—	45.5	39.6	45.5	39.6
Other	—	—	11.4	11.7	11.4	11.7
Total expenses	<u>444.2</u>	<u>385.3</u>	<u>68.2</u>	<u>62.9</u>	<u>512.4</u>	<u>448.2</u>
Increase (decrease) in net assets before transfers	6.6	4.6	(4.0)	(1.7)	2.6	2.9
Transfers	<u>8.4</u>	<u>0.1</u>	<u>7.1</u>	<u>(0.1)</u>	<u>15.5</u>	<u>—</u>
Increase (decrease) in net assets	15.0	4.7	3.1	(1.8)	18.1	2.9
Net assets at beginning of year	<u>312.4</u>	<u>307.7</u>	<u>266.6</u>	<u>268.4</u>	<u>579.0</u>	<u>576.1</u>
Net assets at end 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>

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Governmental Activities

The City's total revenues from governmental activities were \$450.8 million for the fiscal year ended December 31, 2007. The largest source of revenue (\$116.1 million for fiscal year 2007) for the City is sales and use tax. Net sales and use tax increased by \$2.5 million (2.2%) during 2007.

In 2007, property tax revenue increased by \$15.5 million when compared to 2006. The City has maintained the same real estate tax rate (43.387 cents per \$100 of assessed value) since 2002. Property tax valuations for 2007 increased 13.6% when compared to 2006 valuations.

The City's expenses for governmental activities cover a wide range of services, with 50%, or \$219.9 million, for fiscal year 2007 related to public safety and 12%, or \$53.2 million, for fiscal year 2007 for transportation services. Overall, the expenses for governmental activities increased by 15% or \$58.9 million in 2007, which can be largely attributed to a \$6.6 million increase in the workers' compensation and healthcare claims liability, \$17.4 million increase in the net pension obligation and a \$15.0 million increase in the post retirement benefit obligation.

Business-type Activities

Net assets of the City's business-type activities increased by \$3.1 million. Presented below is the change of net assets by the major enterprise funds and the other nonmajor enterprise funds.

<u>Fund</u>	<u>Amount</u>
Convention Center Hotel	\$ (2,889,024)
Parking Facilities	(730,682)
Sewer Revenue	6,606,486
Other nonmajor enterprise funds	77,400

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.

As noted earlier, the Sewer Revenue Fund assumed \$5.7 million of net assets upon the annexation of Elkhorn.

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.

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Financial Analysis of the Government's Funds

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year, except where prohibited by the Charter. For the fiscal year ended December 31, 2007, the governmental funds reported combined ending fund balances of \$109.3 million, an increase of \$9.4 million in comparison with the prior year (includes \$3.5 million for annexation of Elkhorn). The Debt Service Fund and all other nonmajor funds increased their fund balances by \$13.4 million during the year (includes \$2.7 million for annexation of Elkhorn). This increase was offset by a \$3.9 million decrease in the General Fund (includes \$0.8 million for annexation of Elkhorn).

Approximately 48%, or \$52.3 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 (\$30.0 million)
- Pay debt service (\$23.6 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, 2007, not designated for a specific purpose, is \$27.1 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 10% of the total fund balance to total fund expenditures, while the total fund balance represents 11% of that same amount. The total fund balance of the General Fund decreased by \$3.9 million for fiscal year 2007. For budgeting purposes only, the 2006 and 2007 budget surpluses of \$2.6 million and \$3.9 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 \$16.5 million, all of which will be used to for either payment of debt service on the City's general obligation debt or to pay 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.

Net assets of the Convention Center Hotel Fund, Parking Facilities Fund, Sewer Revenue Fund, and other enterprise funds amounted to \$(23.8) million, \$(5.1) million, \$293.6 million, and \$5.0 million, respectively, at

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December 31, 2007. 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, 2007 (in millions)		
	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>
Revenues:			
Taxes	\$ 212.9	212.9	213.4
Intergovernmental	8.7	8.7	9.2
Other	36.1	36.1	37.5
Total	<u>257.7</u>	<u>257.7</u>	<u>260.1</u>
Expenditures, lapsed encumbrances, and transfers	<u>260.3</u>	<u>260.3</u>	<u>258.8</u>
Total	<u>260.3</u>	<u>260.3</u>	<u>258.8</u>
Changes in fund balance	<u>\$ (2.6)</u>	<u>(2.6)</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 2007 one transfer occurred. It appropriated funds from the contingency account to the operating departments to fund services associated with the annexation of Elkhorn.

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

- Sales tax revenue was \$1.3 million below budget.
- Interest income was \$3.4 million above budget.
- Charges for services was \$2.0 million above budget.
- The Mayor's Office, City Clerk, Law, Human Rights and Relations, Finance, Planning, Parks and Recreation, Convention & Tourism, and Library Departments collectively were \$1.0 million below budget.
- City Council, Human Resources, Police, Fire and Public Works Departments were \$5.0 million above budget due largely to sick and annual leave payments to retiring employees.
- Outside Agency, Contingency, and Other Accounts were \$2.7 million below budget.
- Retiree benefits were \$1.0 million below budget.

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Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2007 is \$1.4 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 8.3% (an increase of 10.8% for governmental activities and an increase of 3.9% for business-type activities).

City of Omaha's Capital Assets
(Net of accumulated depreciation)

(in millions)

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 125.0	123.2	5.0	4.7	130.0	127.9
Cultural assets	5.8	5.8	0.5	0.5	6.3	6.3
Construction in progress	68.5	52.1	32.2	37.4	100.7	89.5
Buildings	341.0	329.0	393.8	367.7	734.8	696.7
Machinery and equipment	18.3	17.3	6.2	8.0	24.5	25.3
Infrastructure	334.4	273.6	—	—	334.4	273.6
Lease purchases	38.9	40.3	39.1	40.4	78.0	80.7
Total	\$ 931.9	841.3	476.8	458.7	1,408.7	1,300.0

Major capital asset events during 2007 included the following:

- Construction continued on the 144th Street – Stony Brook Boulevard to F Street Project; current year expenditures were \$4.1 million.
- Construction continued on the Gibson Road Overpass Project; current year expenditures were \$6.2 million.
- Construction continued on the City's sewer system including the Combined Sewer Overflow Program with capital outlays of \$27.6 million.
- Construction continued on the West Dodge Street Project; current year expenditures were \$2.1 million.
- Construction continued on the Americans with Disabilities Street Ramp Project; current year expenditures were \$1.4 million.
- The Police Department purchased a replacement helicopter for \$2.7 million.
- Construction continued on the South Omaha Library; current year expenditures were \$2.3 million.
- Construction continues on the City's Public Safety Training Center; current year expenditures were \$5.6 million.

CITY OF OMAHA, NEBRASKA
Management's Discussion and Analysis
Year ended December 31, 2007
(Unaudited)

- Construction continues on the City's Missouri River Pedestrian Bridge Project; current year expenditures were \$10.9 million.
- The City provided \$1.5 million of funding for the seating expansion project on the Qwest Convention Center and Arena.
- Construction in progress city wide totaled \$100.7 million.
- Annual city wide depreciation expense for governmental activities in 2007 amounted to \$28.0 million.

Additional information on the City's capital assets can be found in note 10 to the financial statements on pages 63 through 67 of this report.

Long-term Debt

At December 31, 2007, the City had total bonded debt outstanding of \$948.1 million (including notes payable). Of this amount, \$536.8 million is general obligation debt backed by the full faith and credit of the City; \$166.6 million of revenue bonds secured solely by specified revenue sources; \$78.6 million of special obligation bonds backed by a variety of revenue sources, including sales tax and property tax; \$40.4 million of special tax revenue bonds backed by a redevelopment property tax levy; \$85.3 million of lease purchase bonds backed by annual General Fund appropriations; and \$40.4 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	
	2007	2006	2007	2006	2007	2006
General obligation bonds	\$ 536.8	476.3	—	—	536.8	476.3
Revenue bonds	2.4	—	164.2	163.6	166.6	163.6
Special obligation bonds	58.7	59.3	19.9	20.4	78.6	79.7
Special tax revenue bonds	40.4	38.2	—	—	40.4	38.2
Lease purchase bonds	37.4	34.7	47.9	49.8	85.3	84.5
Notes payable	3.3	4.3	37.1	33.0	40.4	37.3
Total	\$ 679.0	612.8	269.1	266.8	948.1	879.6

During 2007, the City's total debt increased by \$68.5 million (7.8%). In 2007, the City annexed 12 Sanitary Improvement Districts (SID), and Elkhorn. At the time of annexation, the City assumed all assets and debts of the annexed areas. Upon annexation the City assumed \$57.2 million of SID debt and \$13.1 million of Elkhorn's debt for a total of \$70.3 million. 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 2005, Moody's Investors Service upgraded its rating of the City's Lease Purchase Bonds from Aa1 to Aaa.

CITY OF OMAHA, NEBRASKA
Management's Discussion and Analysis
Year ended December 31, 2007
(Unaudited)

Under the City's Home Rule Charter, the total amount of general obligation indebtedness outstanding at any time shall not exceed 3.5% of the actual value of taxable real and personal property in the City. The debt margin as of December 31, 2007 is \$365.2 million.

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

Economic Factors and Next Year's Budgets and Rates

- The increase in the City's property tax base provided by real growth that includes annexations is estimated at 3.7% for 2009. Total growth, including revaluations of current property, is estimated at 4.8%.
- Sales tax collections have increased by 4.8% and 1.5% over each of the past two years, respectively, with current collections through August 2008 showing an increase over the same period in 2007 of 1.9%. However, LB775 refunds have exceeded projections and have reduced net sales tax collections to a 1.8% decrease compared to the same period in 2007.
- Overall General Fund revenue growth for 2008 is projected at 2.25% due primarily to revenue generated by newly annexed areas.

All of these factors were considered in preparing the City's budget for the 2009 fiscal year.

During 2007, the unreserved fund balance in the General Fund was \$27.1 million. The City appropriated \$2.7 million of this amount for spending in the 2008 fiscal year budget and \$3.9 million will be appropriated for spending in the 2009 fiscal year budget. This amount represents the 2006 and 2007 Budget Balance Carried Forward. The City Charter requires that the General Fund Budget Balance, as of the close of any particular fiscal year, shall be applied as General Fund revenue in the budget for the fiscal year two years subsequent to that fiscal year.

Requests for Information

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

CITY OF OMAHA, NEBRASKA

Statement of Net Assets

December 31, 2007



Assets	Primary government			Component unit
	Governmental activities	Business-type activities	Total	MECA
Cash and pooled investments	\$ 57,484,201	29,224,096	86,708,297	6,830,437
Investments	27,473,389	18,184,863	45,658,252	11,064,755
Receivables (net of allowance for uncollectibles)	134,546,840	4,381,108	138,927,948	160,363
Due from other governments	42,040,611	25,577	42,066,188	—
Accrued interest	912,058	—	912,058	—
Inventories	690,172	707,980	1,398,152	—
Deferred charges and other assets	7,991,155	3,193,193	11,184,348	1,779,874
Restricted assets:				
Investments	—	3,309,677	3,309,677	—
Deposits with trustee	5,004,590	17,512,488	22,517,078	—
Capital assets:				
Nondepreciable	199,271,933	37,713,644	236,985,577	112,071
Depreciable	732,645,359	439,058,526	1,171,703,885	18,278,813
Total assets	\$ 1,208,060,308	553,311,152	1,761,371,460	38,226,313
Liabilities and Net Assets				
Liabilities:				
Accounts payable and other	\$ 31,841,344	4,042,371	35,883,715	3,044,965
Accrued interest payable	7,146,295	4,542,953	11,689,248	—
Due to other governments	1,787,237	—	1,787,237	—
Unearned revenue	310,335	—	310,335	2,912,001
Long-term liabilities:				
Net pension obligation	56,981,670	2,422,588	59,404,258	—
Post retirement benefit obligation	15,030,222	862,055	15,892,277	—
Other liabilities	—	—	—	5,338,045
Compensated absences:				
Due within one year	3,134,934	101,886	3,236,820	—
Due in more than one year	59,563,658	1,935,821	61,499,479	—
Grants payable:				
Due within one year	4,240,000	—	4,240,000	—
Due in more than one year	3,975,000	—	3,975,000	—
Claims and judgments:				
Due within one year	1,464,500	—	1,464,500	—
Workers' compensation and healthcare claims:				
Due within one year	8,863,629	508,372	9,372,001	—
Due in more than one year	10,035,298	575,572	10,610,870	—
Bonds, notes, and leases payable:				
Due within one year	33,707,634	6,047,682	39,755,316	1,145,938
Due in more than one year	642,512,194	262,609,050	905,121,244	7,816,983
Total liabilities	880,593,950	283,648,350	1,164,242,300	20,257,932
Net assets:				
Invested in capital assets, net of related debt	261,308,456	222,456,144	483,764,600	9,427,962
Restricted for:				
Debt service	—	6,898,070	6,898,070	—
Highway and streets	9,798,623	—	9,798,623	—
Perpetual care:				
Expendable	4,058	—	4,058	—
Nonexpendable	2,775,389	—	2,775,389	—
Community improvement and judgments	4,236,375	—	4,236,375	—
Unrestricted	49,343,457	40,308,588	89,652,045	8,540,419
Total net assets	327,466,358	269,662,802	597,129,160	17,968,381
Total liabilities and net assets	\$ 1,208,060,308	553,311,152	1,761,371,460	38,226,313

See accompanying notes to financial statements.

CITY OF OMAHA, NEBRASKA
Statement of Activities
Year ended December 31, 2007



	Program revenues				Net revenue (expense) and changes in net assets			Component unit	
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Primary government			MECA
						Business-type activities	Total		
	\$	5,854,592	16,352,769	—	(71,127,234)	—	(71,127,234)	—	
General government		15,205,428	6,768,712	—	(160,880,743)	—	(160,880,743)	—	
Public safety		18,133,477	30,305,665	1,625,124	(3,184,399)	—	(3,184,399)	—	
Transportation services		15,650,815	9,620,112	55,866	(3,402,013)	—	(3,402,013)	—	
Other public services		19,460,381	8,343,329	19,021,087	23,398,012	—	23,398,012	—	
Community development		44,894,282	4,789,667	1,389,716	(26,291,702)	—	(26,291,702)	—	
Culture and parks		34,696,594	—	—	(34,696,594)	—	(34,696,594)	—	
Interest on long-term debt		—	—	—	—	—	—	—	
Total governmental activities		61,946,605	76,410,773	29,598,164	(276,184,673)	—	(276,184,673)	—	
Business-type activities:		7,732,472	—	—	—	(3,558,094)	(3,558,094)	—	
Convention Center Hotel		4,151,923	—	—	—	(759,993)	(759,993)	—	
Parking		38,474,534	—	4,486,724	—	(2,546,959)	(2,546,959)	—	
Sewer		737,166	—	—	—	323,791	323,791	—	
Dodge Park		248,238	—	—	—	(134,208)	(134,208)	—	
Tennis		3,537,287	—	—	—	(222,321)	(222,321)	—	
Golf		117,543	—	—	—	(21,620)	(21,620)	—	
Citywide Sports		85,482	—	—	—	72,848	72,848	—	
River Front Plaza and Marina		532,192	—	—	—	(83,549)	(83,549)	—	
Air quality		703,263	—	—	—	53,637	53,637	—	
Compost		439,487	—	—	—	88,822	88,822	—	
Printing and graphics		56,902,046	—	—	—	(6,787,646)	(6,787,646)	—	
Total business-type activities		118,848,651	76,410,773	34,084,888	(276,184,673)	(6,787,646)	(282,972,319)	—	
Total primary government		178,765,260	152,821,546	63,683,052	(552,368,346)	(10,575,532)	(562,943,878)	—	
Component unit:		24,863,872	1,500,000	—	—	—	—	1,327,888	
MECA		—	—	—	—	—	—	—	
General revenues:		114,935,220	—	—	114,935,220	—	114,935,220	—	
Property taxes		8,825,629	—	—	8,825,629	—	8,825,629	—	
Motor vehicle taxes		116,051,364	—	—	116,051,364	—	116,051,364	—	
Sales and use taxes		30,884,535	—	—	30,884,535	—	30,884,535	—	
Business taxes		5,543,008	—	—	5,543,008	—	5,543,008	—	
Payments in lieu of taxes		—	—	—	—	—	—	—	
Donations not restricted to specific programs		6,722,915	—	—	6,722,915	2,810,340	9,533,255	2,562,289	
Unrestricted investment earnings		(13,447)	—	—	(13,447)	(1,385,123)	(1,398,570)	821,148	
Loss on sale of capital assets		(1,385,123)	—	—	(1,385,123)	—	(1,385,123)	—	
Transfers		281,434,294	—	—	281,434,294	4,182,016	285,616,310	3,383,437	
Total general revenues and transfers		5,249,621	—	—	5,249,621	(2,605,630)	2,643,991	4,711,325	
Change in net assets		322,216,737	—	—	322,216,737	272,268,432	594,485,169	13,257,056	
Net assets – beginning of year, as restated		—	—	—	—	269,662,802	597,129,160	17,968,381	
Net assets – end of year		\$	—	—	\$	327,466,358	1,194,618,329	31,225,437	

See accompanying notes to financial statements.

CITY OF OMAHA, NEBRASKA

Balance Sheet
 Governmental Funds
 December 31, 2007



Assets	General	Debt Service Fund	Other governmental funds	Total governmental funds
Cash and cash equivalents	\$ —	15,142,745	42,341,456	57,484,201
Investments	15,305,099	1,237,443	10,930,847	27,473,389
Receivables, net of allowance for uncollectibles	74,795,146	48,141,326	11,610,368	134,546,840
Due from other governments	19,964,265	211,968	21,864,378	42,040,611
Accrued interest	841,378	—	70,680	912,058
Inventories	690,172	—	—	690,172
Other assets	15,627	—	2,364,536	2,380,163
Restricted assets:				
Deposits with trustee	—	—	5,004,590	5,004,590
Total assets	<u>\$ 111,611,687</u>	<u>64,733,482</u>	<u>94,186,855</u>	<u>270,532,024</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and other	\$ 20,956,579	118,346	10,766,419	31,841,344
Due to other governments	1,787,237	—	—	1,787,237
Unearned revenue	1,170	846	308,319	310,335
Deferred revenue	59,898,047	48,122,750	19,231,065	127,251,862
Total liabilities	<u>82,643,033</u>	<u>48,241,942</u>	<u>30,305,803</u>	<u>161,190,778</u>
Fund balances:				
Reserved for:				
Encumbrances	1,206,616	803	28,806,072	30,013,491
Inventories	690,172	—	—	690,172
Debt service	—	16,490,737	7,107,528	23,598,265
Perpetual care	—	—	2,775,389	2,775,389
Unreserved, reported in:				
General fund	27,071,866	—	—	27,071,866
Special revenue funds	—	—	27,285,911	27,285,911
Capital projects funds	—	—	(2,097,906)	(2,097,906)
Permanent funds	—	—	4,058	4,058
Total fund balances	<u>28,968,654</u>	<u>16,491,540</u>	<u>63,881,052</u>	<u>109,341,246</u>
Total liabilities and fund balances	<u>\$ 111,611,687</u>	<u>64,733,482</u>	<u>94,186,855</u>	<u>270,532,024</u>

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	\$ 931,917,292
Revenues earned during the current period are not available as resources and, therefore, are recognized as deferred revenue in the funds	127,251,862
Bond costs of issuance are capitalized at the government-wide level and amortized over the life of the related bonds	5,610,992
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	(846,655,034)
Net assets of governmental activities	<u>\$ 327,466,358</u>

See accompanying notes to financial statements.

CITY OF OMAHA, NEBRASKA

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

Year ended December 31, 2007



	<u>General</u>	<u>Debt Service Fund</u>	<u>Other governmental funds</u>	<u>Total governmental funds</u>
Revenues:				
Taxes:				
Property	\$ 55,126,392	39,700,167	7,854,919	102,681,478
Motor vehicle	8,825,629	—	—	8,825,629
City sales and use	116,051,364	—	—	116,051,364
Business	30,884,535	—	—	30,884,535
In lieu	5,448,575	88,094	6,339	5,543,008
Licenses and permits	8,044,824	—	—	8,044,824
Intergovernmental	3,797,693	799,636	44,252,847	48,850,176
Investment income	5,705,353	111,542	906,020	6,722,915
Revenue from Keno	—	—	7,693,010	7,693,010
Charges for services	18,568,340	2,309,134	24,305,946	45,183,420
Special assessments	—	—	543,655	543,655
Rents and royalties	3,776,219	—	1,576,826	5,353,045
Contributions and grants	—	11,481,390	37,503,655	48,985,045
Total revenues	<u>256,228,924</u>	<u>54,489,963</u>	<u>124,643,217</u>	<u>435,362,104</u>
Expenditures:				
Current:				
General government	31,711,337	2,104,191	6,874,145	40,689,673
Public safety	177,031,531	—	6,716,344	183,747,875
Transportation services	1,424,464	—	41,997,304	43,421,768
Other public services	13,545,408	—	1,205,538	14,750,946
Community development	5,697,539	—	13,047,454	18,744,993
Culture and parks	24,785,908	—	6,765,315	31,551,223
Debt service:				
Principal	2,237,400	37,631,606	2,963,706	42,832,712
Interest	3,905,567	24,375,041	5,251,872	33,532,480
Bond issuance costs	—	169,873	133,336	303,209
Capital outlay	378,645	—	58,356,152	58,734,797
Total expenditures	<u>260,717,799</u>	<u>64,280,711</u>	<u>143,311,166</u>	<u>468,309,676</u>
Excess (deficiency) of revenues over expenditures	<u>(4,488,875)</u>	<u>(9,790,748)</u>	<u>(18,667,949)</u>	<u>(32,947,572)</u>
Other financing sources (uses):				
Transfers in	474,118	—	960,407	1,434,525
Transfers out	(710,407)	—	(2,109,241)	(2,819,648)
Proceeds from sale of bonds	—	26,985,000	30,580,000	57,565,000
Proceeds from bond premium	—	412,421	259,277	671,698
Payment to refunded bond escrow agent	—	(15,350,194)	(2,550,000)	(17,900,194)
Total other financing sources (uses)	<u>(236,289)</u>	<u>12,047,227</u>	<u>27,140,443</u>	<u>38,951,381</u>
Net change in fund balances	(4,725,164)	2,256,479	8,472,494	6,003,809
Fund balances – beginning of year, as restated	<u>33,693,818</u>	<u>14,235,061</u>	<u>55,408,558</u>	<u>103,337,437</u>
Fund balances – end of year	\$ <u>28,968,654</u>	<u>16,491,540</u>	<u>63,881,052</u>	<u>109,341,246</u>

See accompanying notes to financial statements.

CITY OF OMAHA, NEBRASKA

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

Year ended December 31, 2007



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

Net change in fund balances – total governmental funds	\$ 6,003,809
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.	73,029,736
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	19,743,671
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.	(91,774,572)
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>(1,753,023)</u>
Change in net assets of governmental activities	<u><u>\$ 5,249,621</u></u>

See accompanying notes to financial statements.

CITY OF OMAHA, NEBRASKA

Statement of Fund Net Assets –
Proprietary Funds

December 31, 2007



Assets	Convention Center Hotel	Parking Facilities	Sewer revenue fund	Other enterprise funds	Total proprietary funds
Current assets:					
Cash and cash equivalents	\$ —	—	28,562,643	661,453	29,224,096
Investments	—	—	18,184,863	—	18,184,863
Accounts receivable (net of allowance for uncollectibles)	—	402,173	3,923,304	55,631	4,381,108
Prepaid assets	786,555	176,425	3,197	—	966,177
Due from other funds	—	—	150,894	—	150,894
Due from other governments	—	—	—	25,577	25,577
Inventories	—	—	702,969	5,011	707,980
Total current assets	<u>786,555</u>	<u>578,598</u>	<u>51,527,870</u>	<u>747,672</u>	<u>53,640,695</u>
Noncurrent assets:					
Restricted assets:					
Investments	—	—	3,309,677	—	3,309,677
Deposits with trustee	17,008,007	504,481	—	—	17,512,488
Deferred charges	1,325,275	109,571	792,170	—	2,227,016
Total noncurrent assets	<u>18,333,282</u>	<u>614,052</u>	<u>4,101,847</u>	<u>—</u>	<u>23,049,181</u>
Capital assets:					
Land	—	2,473,344	2,525,422	—	4,998,766
Buildings and systems	71,222,245	61,006,300	562,405,901	9,571,123	704,205,569
Furniture and fixtures	6,792,766	—	—	—	6,792,766
Machinery and equipment	3,557,743	—	15,955,554	3,202,503	22,715,800
Cultural assets	498,366	—	—	—	498,366
Construction in progress	—	—	32,216,512	—	32,216,512
	<u>82,071,120</u>	<u>63,479,644</u>	<u>613,103,389</u>	<u>12,773,626</u>	<u>771,427,779</u>
Less accumulated depreciation	<u>13,355,568</u>	<u>21,128,002</u>	<u>253,774,818</u>	<u>6,397,221</u>	<u>294,655,609</u>
Capital assets, net	<u>68,715,552</u>	<u>42,351,642</u>	<u>359,328,571</u>	<u>6,376,405</u>	<u>476,772,170</u>
Total noncurrent assets	<u>87,048,834</u>	<u>42,965,694</u>	<u>363,430,418</u>	<u>6,376,405</u>	<u>499,821,351</u>
Total assets	<u>\$ 87,835,389</u>	<u>43,544,292</u>	<u>414,958,288</u>	<u>7,124,077</u>	<u>553,462,046</u>
Liabilities and Net Assets					
Current liabilities:					
Accounts payable and other	\$ 3,739	193,295	3,647,242	198,095	4,042,371
Current installments of long-term debt	—	2,060,000	3,832,682	155,000	6,047,682
Workers' compensation and healthcare claims	—	—	366,032	142,340	508,372
Accrued interest payable	3,173,020	671,728	696,461	1,744	4,542,953
Due to other funds	34,832	116,062	—	—	150,894
Compensated absences	—	1,697	73,583	26,606	101,886
Total current liabilities	<u>3,211,591</u>	<u>3,042,782</u>	<u>8,616,000</u>	<u>523,785</u>	<u>15,394,158</u>
Noncurrent liabilities:					
Long-term debt, excluding current installments	108,470,001	45,587,961	108,551,088	—	262,609,050
Pension obligation	—	—	1,744,283	678,305	2,422,588
Post retirement benefit obligation	—	—	620,687	241,368	862,055
Workers' compensation and healthcare claims	—	—	414,416	161,156	575,572
Compensated absences	—	32,238	1,398,073	505,510	1,935,821
Total noncurrent liabilities	<u>108,470,001</u>	<u>45,620,199</u>	<u>112,728,547</u>	<u>1,586,339</u>	<u>268,405,086</u>
Total liabilities	<u>111,681,592</u>	<u>48,662,981</u>	<u>121,344,547</u>	<u>2,110,124</u>	<u>283,799,244</u>
Net assets:					
Invested in capital assets, net of related debt	(26,840,781)	(4,682,267)	247,736,971	6,242,221	222,456,144
Restricted for debt service	3,588,393	—	3,309,677	—	6,898,070
Unrestricted	(593,815)	(436,422)	42,567,093	(1,228,268)	40,308,588
Total net assets	<u>(23,846,203)</u>	<u>(5,118,689)</u>	<u>293,613,741</u>	<u>5,013,953</u>	<u>269,662,802</u>
Total liabilities and net assets	<u>\$ 87,835,389</u>	<u>43,544,292</u>	<u>414,958,288</u>	<u>7,124,077</u>	<u>553,462,046</u>

See accompanying notes to financial statements.

CITY OF OMAHA, NEBRASKA

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

Year ended December 31, 2007



	Convention Center Hotel	Parking Facilities	Sewer Revenue Fund	Other enterprise funds	Total proprietary funds
Operating revenues:					
Charges for services	\$ 7,732,472	4,151,923	38,474,534	6,543,117	56,902,046
Total operating revenues	<u>7,732,472</u>	<u>4,151,923</u>	<u>38,474,534</u>	<u>6,543,117</u>	<u>56,902,046</u>
Operating expenses:					
Personal services	—	172,949	9,697,991	3,562,467	13,433,407
Outside services	239,862	—	802,298	313,643	1,355,803
Operation and maintenance	1,595,532	1,941,648	12,705,482	1,054,402	17,297,064
Cost of sales and services	—	—	2,942,863	597,279	3,540,142
Administration	—	—	—	479,171	479,171
Depreciation and amortization	3,844,384	2,797,319	14,277,185	449,549	21,368,437
Total operating expenses	<u>5,679,778</u>	<u>4,911,916</u>	<u>40,425,819</u>	<u>6,456,511</u>	<u>57,474,024</u>
Operating income (loss)	<u>2,052,694</u>	<u>(759,993)</u>	<u>(1,951,285)</u>	<u>86,606</u>	<u>(571,978)</u>
Nonoperating revenues (expenses):					
Investment earnings	682,517	29,311	2,098,512	—	2,810,340
Miscellaneous rents and royalties	—	—	12,188	—	12,188
Loss on disposal of assets	(13,447)	—	—	—	(13,447)
Interest expense	(5,610,788)	—	(5,082,398)	(9,206)	(10,702,392)
Total nonoperating revenues (expenses), net	<u>(4,941,718)</u>	<u>29,311</u>	<u>(2,971,698)</u>	<u>(9,206)</u>	<u>(7,893,311)</u>
Income (loss) before contributions and transfers	<u>(2,889,024)</u>	<u>(730,682)</u>	<u>(4,922,983)</u>	<u>77,400</u>	<u>(8,465,289)</u>
Capital contributions	—	—	4,474,536	—	4,474,536
Transfers in	—	—	1,635,123	—	1,635,123
Transfers out	—	—	(250,000)	—	(250,000)
Change in net assets	<u>(2,889,024)</u>	<u>(730,682)</u>	<u>936,676</u>	<u>77,400</u>	<u>(2,605,630)</u>
Net assets at beginning of year, as restated	<u>(20,957,179)</u>	<u>(4,388,007)</u>	<u>292,677,065</u>	<u>4,936,553</u>	<u>272,268,432</u>
Net assets at end of year	\$ <u><u>(23,846,203)</u></u>	<u><u>(5,118,689)</u></u>	<u><u>293,613,741</u></u>	<u><u>5,013,953</u></u>	<u><u>269,662,802</u></u>

See accompanying notes to financial statements.

CITY OF OMAHA, NEBRASKA

Statement of Cash Flows –
Proprietary Funds

Year ended December 31, 2007



	Convention Center Hotel	s Facilities	Sewer Revenue Fund	Other enterprise funds	Total proprietary funds
Cash flows from operating activities:					
Receipts from customers	\$ 7,732,472	3,863,306	37,733,561	6,886,363	56,215,702
Payments to suppliers	(1,831,655)	(1,961,218)	(16,728,995)	(2,417,746)	(22,939,614)
Payments to employees	—	(171,344)	(8,511,971)	(3,300,679)	(11,983,994)
Net cash provided by operating activities	<u>5,900,817</u>	<u>1,730,744</u>	<u>12,492,595</u>	<u>1,167,938</u>	<u>21,292,094</u>
Cash flows from noncapital financing activities:					
Transfers in/out	—	—	1,385,123	—	1,385,123
Repayment of prior year advances	—	—	—	—	—
Advances from other funds	34,832	(304,882)	(150,894)	(70,775)	(491,719)
Net cash provided by (used in) noncapital financing activities	<u>34,832</u>	<u>(304,882)</u>	<u>1,234,229</u>	<u>(70,775)</u>	<u>893,404</u>
Cash flows from capital and related financing activities:					
Capital expenditures	(438,562)	(305,672)	(26,588,593)	(603,673)	(27,936,500)
Capital contributions	—	—	—	—	—
Deferred charges	611,067	37,354	(556)	—	647,865
Miscellaneous rents and royalties	—	—	12,188	—	12,188
Proceeds from sale of fixed assets	—	—	—	—	—
Payments on long-term debt	(110,155,000)	(1,950,000)	(2,436,679)	(150,000)	(114,691,679)
Issuance of long-term debt	109,750,000	—	—	—	109,750,000
Premium received on issuance of long-term debt	3,197,250	—	—	—	3,197,250
Issuance of notes payable	—	—	5,767,716	—	5,767,716
Interest paid	(5,299,307)	(18,844)	(5,078,921)	(12,037)	(10,409,109)
Net cash used in capital and related financing activities	<u>(2,334,552)</u>	<u>(2,237,162)</u>	<u>(28,324,845)</u>	<u>(765,710)</u>	<u>(33,662,269)</u>
Cash flows from investing activities:					
Sale (purchase) of investment securities	(4,339,081)	781,989	29,796,168	330,000	26,569,076
Interest received	682,517	29,311	2,098,512	—	2,810,340
Net cash provided by (used in) investing activities	<u>(3,656,564)</u>	<u>811,300</u>	<u>31,894,680</u>	<u>330,000</u>	<u>29,379,416</u>
Net increase (decrease) in cash and cash equivalents	(55,467)	—	17,296,659	661,453	17,902,645
Cash and cash equivalents, beginning of year	55,467	—	11,265,984	—	11,321,451
Cash and cash equivalents, end of year	<u>\$ —</u>	<u>—</u>	<u>28,562,643</u>	<u>661,453</u>	<u>29,224,096</u>
Supplemental disclosure of noncash investing and financing activities:					
Annexation of Elkhorn:					
Capital asset additions	\$ —	—	4,482,575	—	4,482,575
Liabilities assumed	—	—	(1,455,000)	—	(1,455,000)
Other assets	—	—	88,272	—	88,272
	<u>\$ —</u>	<u>—</u>	<u>3,115,847</u>	<u>—</u>	<u>3,115,847</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 2,052,694	(759,993)	(1,951,285)	86,606	(571,978)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	3,844,384	2,797,319	14,277,185	449,549	21,368,437
Cash flows impacted by changes in:					
Amounts due from customers and others	—	(288,617)	(740,973)	343,246	(686,344)
Inventories	—	—	30,765	(1,244)	29,521
Due from other governments	—	—	—	—	—
Accounts payable and other	3,739	(19,570)	(309,117)	27,993	(296,955)
Claims payable	—	—	158,400	14,575	172,975
Pension obligation	—	—	272,321	(5,371)	266,950
Postretirement benefit obligation	—	—	620,687	241,368	862,055
Accrued expenses	—	1,605	134,612	11,216	147,433
Net cash provided by operating activities	<u>\$ 5,900,817</u>	<u>1,730,744</u>	<u>12,492,595</u>	<u>1,167,938</u>	<u>21,292,094</u>

See accompanying notes to financial statements.

CITY OF OMAHA, NEBRASKA

Statement of Fiduciary Net Assets –
Fiduciary Funds

December 31, 2007



	Pension Trust Funds	Agency	Total
Assets:			
Cash and cash equivalents	\$ 1,645,049	9,380,810	11,025,859
Receivables:			
Accrued interest	2,008,239	3,864	2,012,103
Other	1,859,729	166,017	2,025,746
Investments, at fair value	819,952,097	1,158,180	821,110,277
Total assets	<u>825,465,114</u>	<u>10,708,871</u>	<u>836,173,985</u>
Liabilities:			
Warrants payable	52,657	—	52,657
Accounts payable	1,394,238	996,540	2,390,778
Deposits payable	—	9,712,331	9,712,331
Total liabilities	<u>1,446,895</u>	<u>10,708,871</u>	<u>12,155,766</u>
Net assets held in trust for pension benefits	<u>\$ 824,018,219</u>	<u>—</u>	<u>824,018,219</u>

See accompanying notes to financial statements.

CITY OF OMAHA, NEBRASKA

Statement of Changes in Fiduciary Net Assets –
Pension Trust Funds

Year ended December 31, 2007



Additions:	
Contributions:	
Employer	\$ 25,674,250
Employee	20,586,369
Total contributions	<u>46,260,619</u>
Investment earnings:	
Dividends and interest	18,622,033
Net increase in the fair value of investments	27,770,216
Total investment earnings	<u>46,392,249</u>
Less investment expenses	<u>(5,347,053)</u>
Net investment earnings	<u>41,045,196</u>
Total additions	87,305,815
Deductions:	
Benefits	<u>62,936,988</u>
Change in net assets	24,368,827
Net assets, beginning of year	<u>799,649,392</u>
Net assets, end of year	<u>\$ 824,018,219</u>

See accompanying notes to financial statements.

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2007

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The City of Omaha, Nebraska (the City) was incorporated on February 2, 1857. The City operates under a Home Rule Charter and has a mayor council form of government with an elected full time chief executive, the Mayor, and an elected legislative body, the council, composed of seven members. The seven council members each represent one of the City's seven districts. The Mayor and members of the council are elected through popular vote to four-year terms. The City is a political subdivision of the State of Nebraska and is exempt from state and federal income taxes.

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

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

The discretely presented component unit, on the other hand, is reported in a separate column in the 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 was responsible for the design, and construction, and now 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, 2007. MECA's separate financial statements are available at 1819 Farnam Street, Omaha, Nebraska 68183.

Related Organizations

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

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2007

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

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

(b) Basis of Presentation

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.

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

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2007

The City reports the following major governmental funds:

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

The City reports the following major proprietary funds:

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

The City reports the following additional fund types:

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

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

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

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2007

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. 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 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

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2007

directly to the respective funds. Interest is imputed and transferred to the Keno Funds, Police Seized Assets Funds, Law Enforcement Block Grant Funds, and Western Heritage Fund.

(f) Cash and Cash Equivalents

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

(g) Investments

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

(h) Inventories

Inventories of materials and supplies are stated at the lower of cost or market using the first in, first out method. The costs of governmental fund inventories are recorded as 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 2007 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 2007 general tax levy (\$0.24312 per \$100 of assessed valuation) was below the legal limit by \$0.3698, or \$93,461,413. The assessed value upon which the 2007 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.

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

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2007

(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 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

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2007

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.

(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."

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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) *Recent Accounting Pronouncements*

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

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

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The City has not completed its assessment of the impact of the adoption of this statement, which is required in 2010.

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.

(r) *Use of Estimates*

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the

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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, 2007 are as follows:

<u>Receivable fund</u>	<u>Amount</u>	<u>Payable fund</u>
Sewer	\$ 34,832	Convention Center Hotel Fund
Sewer	116,062	Parking Facilities Fund
Civilian Pension Fund	1,250,530	Uniformed Pension Fund

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

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

		<u>Transfer to</u>			
		<u>General</u>	<u>Nonmajor</u>		
		<u>Fund</u>	<u>Governmental</u>	<u>Sewer</u>	<u>Total</u>
Transfers from	Major Governmental Funds:				
	General Fund	\$ —	710,407	—	710,407
	Major Enterprise Funds:				
	Sewer	—	250,000	—	250,000
	Nonmajor Governmental	474,118	—	1,635,123	2,109,241
	Total	\$ 474,118	960,407	1,635,123	3,069,648

(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, 2007, all of the City's deposits were collateralized with securities held by the City's agent in the City's name.

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(b) City Investments

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

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

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

Investment type	Fair value	Investment term	
		Less than 1 year	1 – 5 years
U.S. Agencies	\$ 124,403,830	91,194,865	33,208,965
Certificates of Deposit	7,030,787	7,030,787	—
U.S. Treasury Bills	1,237,443	1,237,443	—

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

Investment type	Fair value	Quality rating AAA
U.S. Agencies	\$ 124,403,830	124,403,830
U.S Treasury Bills	1,237,443	1,237,443

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

<u>Investment type</u>	<u>Fair value</u>	<u>Percent</u>
U.S. Agencies	124,403,830	93.8%
Certificates of Deposit	7,030,787	5.3
U.S. Treasury Bills	1,237,443	0.9

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.

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

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

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Interest Rate Risk – The Pension Board of each plan with the recommendation from the respective Investment Committee approves fund manager agreements. These management agreements outline specific investment policies each manager must adhere to. The Retirement Committees do restrict the general asset allocation to fixed income. The Police & Fire Fund’s target range for fixed income assets is between 20% and 30% of the portfolio value and the Civilian Fund’s range is between 25% and 35%. Fixed income investments are held in six accounts managed by five managers: \$134.1 million in managed accounts and \$49.6 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	—%	6.4%	12.5%	5.4%
U.S. Agencies	0.7	6.2	11.8	10.9
Corporate Bonds	3.3	23.2	14.6	5.0

Bond mutual funds	
Maturity	% of total
0 – 1 years	4.8%
1 – 5 years	75.4
6 – 10 years	9.4
10 + years	10.4

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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: \$134.1 million in managed accounts and \$49.6 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	100%
U.S. Agencies	AAA/AA+	100
Corporate Bonds	AAA/A3	84
Corporate Bonds	BAA1/BBB	13
Corporate Bonds	N/R	3
Bond mutual funds		
Rating		% of total
TSY/AGY		60.1%
AAA/Aaa		24.9
AA+/A3		10.5
BBB/Ba2		2.4
N/R		2.1

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

Investment type	Fair value	Percent allocated
Government Securities	\$ 116,551,687	14%
Corporate Bonds	67,197,677	8
Domestic Equities	385,165,665	47
International Equities	109,315,869	13
Domestic Real Estate Securities	112,099,437	14
Cash and cash equivalents	29,621,762	4
Total	\$ 819,952,097	100%

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December 31, 2007

(d) Foreign Currency Risk

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

(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, 2007, reservations of fund balance are described below:

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

(5) Special Assessment Note Payable

The City has obtained a short-term note dated December 21, 2007 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 \$215,000, at an interest rate of 4.90%. The note will be repaid from collections of special assessments.

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(6) Bonds Payable and Other Long-Term Obligations

The following is a summary of long-term liability transactions for the year ended December 31, 2007:

	Balances at January 1, 2007	Change in reporting entity	Issuances or other additions	Retirements or other reductions	Balances at December 31, 2007	Amount due within one year
Governmental activities:						
Bonds payable:						
General obligation bonds	\$ 455,050,000	—	46,785,000	29,115,000	472,720,000	25,020,000
Annexed general obligation bonds	21,206,472	9,215,000	57,181,606	23,496,606	64,106,472	3,499,009
Special tax revenue bonds	38,195,000	—	5,835,000	3,645,000	40,385,000	1,420,000
Special obligation bonds	59,325,404	—	—	670,527	58,654,877	699,182
Revenue bonds	—	2,435,000	—	85,000	2,350,000	140,000
Deferred amounts:						
Unamortized premium	31,907,580	—	671,698	1,752,306	30,826,972	—
Unamortized discount	—	—	(48,971)	(408)	(48,563)	—
Loss on refunding	(35,187,467)	—	(370,194)	(2,053,244)	(33,504,417)	—
Total bonds payable	<u>570,496,989</u>	<u>11,650,000</u>	<u>110,054,139</u>	<u>56,710,787</u>	<u>635,490,341</u>	<u>30,778,191</u>
Special assessment notes payable	1,025,000	—	215,000	1,025,000	215,000	215,000
Lease-purchase contracts payable	34,730,102	—	4,730,000	2,041,878	37,418,224	2,498,983
Notes payable	3,304,842	—	—	208,579	3,096,263	215,460
Grants payable	12,320,000	—	625,000	4,730,000	8,215,000	4,240,000
Compensated absences	62,267,761	—	430,831	—	62,698,592	3,134,934
Workers' compensation and healthcare claims	12,342,544	—	6,556,383	—	18,898,927	8,863,629
Claims and judgments payable	3,411,000	—	—	1,946,500	1,464,500	1,464,500
Net pension obligation	39,565,261	—	17,416,409	—	56,981,670	—
Post retirement benefit obligation	—	—	15,030,222	—	15,030,222	—
Total governmental long-term liabilities	<u>739,463,499</u>	<u>11,650,000</u>	<u>155,057,984</u>	<u>66,662,744</u>	<u>839,508,739</u>	<u>51,410,697</u>
Carryforward						

CITY OF OMAHA, NEBRASKA

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	Balances at January 1, 2007	Change in reporting entity	Issuances or other additions	Retirements or other reductions	Balances at December 31, 2007	Amount due within one year
Brought forward	\$ 739,463,499	11,650,000	155,057,984	66,662,744	839,508,739	51,410,697
Business-type activities:						
Convention Center Hotel:						
Revenue bonds	110,155,000	—	109,750,000	110,155,000	109,750,000	—
Deferred amounts:						
Unamortized premium	—	—	3,197,250	74,010	3,123,240	—
Unamortized discount	(908,306)	—	—	(908,306)	—	—
Loss on refunding	—	—	(4,507,582)	(104,343)	(4,403,239)	—
	<u>109,246,694</u>	<u>—</u>	<u>108,439,668</u>	<u>109,216,361</u>	<u>108,470,001</u>	<u>—</u>
Parking Facilities Fund:						
Lease-purchase contracts payable	49,765,000	—	—	1,950,000	47,815,000	2,060,000
Deferred amounts:						
Unamortized premium	71,401	—	—	7,027	64,374	—
Loss on refunding	(257,235)	—	—	(25,822)	(231,413)	—
Compensated absences	32,330	—	1,605	—	33,935	1,697
	<u>49,611,496</u>	<u>—</u>	<u>1,605</u>	<u>1,931,205</u>	<u>47,681,896</u>	<u>2,061,697</u>
Sewer Revenue Fund:						
Revenue bonds	53,170,000	1,455,000	—	195,000	54,430,000	1,135,000
Plus unamortized premium	908,781	—	—	30,420	878,361	—
Notes payable	33,030,637	—	5,767,716	1,742,206	37,056,147	2,176,864
Special obligation bonds	20,354,596	—	—	499,473	19,855,123	520,818
Plus unamortized premium	171,452	—	—	7,313	164,139	—
Compensated absences	1,337,044	—	134,612	—	1,471,656	73,583
Workers' compensation and healthcare claims	622,048	—	158,400	—	780,448	366,032
Pension obligation	1,471,962	—	272,321	—	1,744,283	—
Post retirement benefit obligation	—	—	620,687	—	620,687	—
	<u>111,066,520</u>	<u>1,455,000</u>	<u>6,953,736</u>	<u>2,474,412</u>	<u>117,000,844</u>	<u>4,272,297</u>
Nonmajor business-type activities:						
Revenue bonds	305,000	—	—	150,000	155,000	155,000
Compensated absences	520,900	—	18,570	7,354	532,116	26,606
Workers' compensation and healthcare claims	288,921	—	14,575	—	303,496	142,340
Pension obligation	683,676	—	—	5,371	678,305	—
Post retirement benefit obligation	—	—	241,368	—	241,368	—
	<u>1,798,497</u>	<u>—</u>	<u>274,513</u>	<u>162,725</u>	<u>1,910,285</u>	<u>323,946</u>
Total business-type activities	<u>271,723,207</u>	<u>1,455,000</u>	<u>115,669,522</u>	<u>113,784,703</u>	<u>275,063,026</u>	<u>6,657,940</u>
Total all funds	\$ <u>1,011,186,706</u>	<u>13,105,000</u>	<u>270,727,506</u>	<u>180,447,447</u>	<u>1,114,571,765</u>	<u>58,068,637</u>

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Long-term debt at December 31, 2007 is comprised of the following individual issues:

General Obligation Bonds

<u>Amount</u>	<u>Original issued</u>	<u>Issue</u>	<u>Effective interest rate payable semiannually</u>	<u>Series due</u>	<u>First date callable</u>	<u>December 31, 2007</u>
\$ 17,315,000	11-01-95	Various purpose – refund series	4.75 – 5.00	1996 – 2008	2005	\$ 700,000
16,755,000	12-01-96	Various purpose – refund series	5.0 – 5.25	1997 – 2008	2006	785,000
12,075,000	03-01-97	G.O. – defeasance bonds	4.70 – 4.95	1998 – 2009	2006	1,685,000
26,475,000	12-15-97	Various purpose – refund series	4.50 – 5.00	1998 – 2017	2007	4,275,000
27,120,000	12-01-98	G.O. – defeasance bonds	4.10 – 5.00	2000 – 2015	2008	10,560,000
25,445,000	12-15-98	Various purpose – refund series	4.20 – 4.50	1999 – 2018	2008	11,095,000
36,570,000	11-15-99	Various purpose – refund series	5.00 – 5.125	2000 – 2019	2009	18,540,000
21,000,000	12-01-00	Various purpose	4.10 – 5.20	2001 – 2020	2010	19,000,000
24,165,000	12-01-00	G.O. – defeasance bonds	4.10 – 5.75	2001 – 2017	2010	15,510,000
21,000,000	11-15-01	Various purpose	3.00 – 4.75	2002 – 2021	2011	14,700,000
16,000,000	03-01-03	Various purpose	2.75 – 5.00	2003 – 2022	2013	12,620,000
30,175,000	03-01-03	G.O. – defeasance bonds	1.50 – 4.30	2003 – 2021	2013	21,605,000
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	24,740,000
42,800,000	11-15-05	Various purpose – refund series	4.00 – 4.75	2006 – 2025	2015	38,520,000
26,625,000	10-15-06	Various purpose – refund series	4.00 – 4.25	2007 – 2026	2016	25,725,000
46,785,000	10-15-07	Various purpose – refund series	4.00 – 4.75	2008 – 2027	2017	46,785,000
		Total general obligation bonds				<u>472,720,000</u>

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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, 2007</u>
Annexed Area Bonds						
\$ 2,210,000	01-15-04	S.I.D. #203	1.40 – 4.70	2005 – 2024	2009	\$ 1,960,000
652,852	03-15-91	S.I.D. #235	1.00	1995 – 2010	None	645,963
285,509	03-15-91	S.I.D. #235	—	2010	None	285,509
4,575,000	06-01-03	S.I.D. #367	1.60 – 4.45	2003 – 2016	2008	3,400,000
4,350,000	08-30-32	S.I.D. #367	2.50 – 4.45	2006 – 2019	2009	3,850,000
2,500,000	08-15-02	S.I.D. #375	2.50 – 5.70	2003 – 2022	2007	2,080,000
3,800,000	12-15-03	S.I.D. #375	1.60 – 5.30	2004 – 2023	2008	3,240,000
1,000,000	07-15-01	S.I.D. #379	4.15 – 5.80	2002 – 2021	2006	795,000
2,300,000	03-15-04	S.I.D. #379	1.60 – 4.50	2004 – 2018	2018	1,890,000
2,800,000	10-15-03	S.I.D. #381	3.30 – 4.00	2004 – 2010	2007	365,000
1,200,000	08-15-01	S.I.D. #384	4.60 – 5.70	2002 – 2021	2005	1,135,000
4,250,000	10-15-04	S.I.D. #384	1.90 – 5.00	2005 – 2024	2008	3,935,000
465,000	09-01-99	S.I.D. #390	4.00 – 5.90	2000 – 2019	2004	335,000
4,245,000	07-15-01	S.I.D. #411	4.00 – 4.90	2002 – 2021	2006	345,000
1,750,000	01-15-05	S.I.D. #423	2.50 – 5.20	2005 – 2025	2010	1,645,000
1,500,000	06-15-06	S.I.D. #423	4.00 – 5.25	2006 – 2026	2011	1,470,000
2,000,000	05-01-02	S.I.D. #433	3.00 – 6.00	2003 – 2022	2007	75,000
3,150,000	01-15-04	S.I.D. #433	1.40 – 4.70	2005 – 2024	2009	2,795,000
3,500,000	12-01-03	S.I.D. #448	1.50 – 5.20	2004 – 2023	2007	520,000
7,600,000	05-01-04	S.I.D. #448	1.35 – 4.90	2005 – 2024	2008	6,730,000
2,950,000	02-15-07	S.I.D. #449	3.75 – 5.05	2007 – 2027	2011	2,910,000
2,000,000	05-01-04	S.I.D. #461	2.00 – 5.10	2005 – 2024	2009	1,780,000
2,000,000	11-15-05	S.I.D. #461	3.50 – 5.00	2006 – 2025	2010	1,890,000
1,000,000	11-01-06	S.I.D. #461	4.10 – 5.00	2007 – 2026	2011	990,000
2,000,000	07-15-03	S.I.D. #470	2.00 – 5.00	2004 – 2023	2008	1,705,000
2,700,000	12-15-04	S.I.D. #470	2.45 – 5.25	2005 – 2024	2009	2,475,000
4,150,000	10-01-06	S.I.D. #470	4.10 – 5.15	2007 – 2031	2011	4,140,000
2,500,000	11-15-06	S.I.D. #498	4.00 – 5.00	2007 – 2026	2011	2,420,000
4,160,000	08-01-02	Various Purpose – Elkhorn	2.00 – 5.00	2003 – 2021	2007	2,615,000
5,640,000	09-18-03	Various Purpose – Elkhorn	2.50 – 4.50	2004 – 2023	2009	4,790,000
930,000	09-15-05	Various Purpose – Elkhorn	3.15 – 4.55	2007 – 2024	2010	895,000
		Total annexed area bonds				<u>64,106,472</u>
		Total general obligation and annexed area bonds				<u>\$ 536,826,472</u>

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2007

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, 2007</u>
\$ 6,195,000	11-2-99	Downtown Northeast Redevelopment Project	4.0 – 6.25	2000 – 2019	2009	\$ 4,430,000
3,115,000	12-1-98	Riverfront Redevelopment Project Series 1998	3.75 – 4.55	1999 – 2008	2003	370,000
8,670,000	2-1-02	Riverfront Redevelopment Project Series 2002A	5.125 – 5.50	2002 – 2032	Various	8,670,000
1,830,000	2-1-02	Riverfront Redevelopment Project Series 2002B	variable	2002 – 2013	2012	1,830,000
20,325,000	9-1-04	Performing Arts Complex Redevelopment Bonds	2.50 – 5.00	2005 – 2024	2014	19,250,000
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	665,000
4,075,000	12-20-07	Various Projects Redevelopment Series 2007	3.06 – 5.13	2007 – 2027	None	4,075,000
						<u>\$ 40,385,000</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, 2007</u>
\$ 660,000	08-01-99	Highway Allocation	4.40 – 5.20%	2000 – 2010	2004	320,000
760,000	03-01-04	Highway Allocation	1.20 – 3.65	2004 – 2014	2009	610,000
1,420,000	09-30-06	Highway Allocation	3.85 – 4.45	2007 – 2026	2011	1,420,000
						<u>\$ 2,350,000</u>

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2007

Enterprise Funds Revenue Bonds

<u>Amount</u>	<u>Original issued</u>	<u>Issue</u>	<u>Effective interest rate payable semiannually</u>	<u>Series due</u>	<u>First date callable</u>	<u>December 31, 2007</u>
\$ 1,250,000	3-1-99	Dodge Park Marina	4.00% – 4.50%	1999 – 2008	2004	\$ 155,000
2,010,000	4-1-02	Elkhorn Sewer Revenue	1.25 – 3.70	2003 – 2013	2008	1,260,000
53,170,000	11-15-06	Sanitary Sewer System Revenue Bonds Series 2006	4.00 – 4.50	2006 – 2036	2016	53,170,000
109,750,000	05-15-07	Convention Center Hotel Revenue, Series 2007A	4.00 – 5.00	2007 – 2032 2010 – 2035	2012 2017	<u>109,750,000</u>
						<u>\$ 164,335,000</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, 2007</u>
\$ 29,800,000	2-1-02	Riverfront Redevelopment Project Series 2002A	4.00% – 5.50%	2003 – 2032	2012	\$ 26,654,877
32,000,000	2-1-02	Riverfront Redevelopment Project Series 2002B	Variable	2002 – 2026	2012	<u>32,000,000</u>
						<u>\$ 58,654,877</u>

Special Obligation Bonds – Business-type activities

<u>Amount</u>	<u>Original issued</u>	<u>Issue</u>	<u>Effective interest rate payable semiannually</u>	<u>Series due</u>	<u>First date callable</u>	<u>December 31, 2007</u>
\$ 22,200,000	2-1-02	Riverfront Redevelopment Project Series 2002A	4.00% – 5.50%	2003 – 2032	2012	<u>\$ 19,855,123</u>

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2007

As of December 31, 2007, the debt service requirements of the City for principal and interest in future years are as follows:

	Governmental activities		
	Principal	Interest	Total
Year ending December 31:			
2008	\$ 30,778,191	30,422,203	61,200,394
2009	30,006,105	29,217,934	59,224,039
2010	28,750,687	28,018,007	56,768,694
2011	29,655,878	26,839,028	56,494,906
2012	33,415,264	25,377,079	58,792,343
2013 – 2017	167,601,172	103,167,966	270,769,138
2018 – 2022	158,555,000	62,564,142	221,119,142
2023 – 2027	136,588,162	23,657,891	160,246,053
2028 – 2032	22,865,890	3,057,117	25,923,007
	<u>\$ 638,216,349</u>	<u>332,321,367</u>	<u>970,537,716</u>

	Business-type activities		
	Principal	Interest	Total
Year ending December 31:			
2008	\$ 1,810,818	9,573,439	11,384,257
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 – 2017	17,773,828	39,181,706	56,955,534
2018 – 2022	21,440,000	34,643,934	56,083,934
2023 – 2027	34,841,838	28,577,656	63,419,494
2028 – 2032	54,104,110	17,831,629	71,935,739
2033 – 2036	45,515,000	4,225,007	49,740,007
	<u>\$ 184,190,123</u>	<u>167,670,557</u>	<u>351,860,680</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, 2007

Notes Payable

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

	Governmental activities		
	Principal	Interest	Total
Year ending December 31:			
2008	\$ 215,460	105,333	320,793
2009	222,570	98,223	320,793
2010	229,916	90,877	320,793
2011	237,505	83,288	320,793
2012	245,346	75,447	320,793
2013 – 2017	793,779	286,968	1,080,747
2018 – 2022	942,851	137,895	1,080,746
2023 – 2026	208,836	7,313	216,149
	<u>\$ 3,096,263</u>	<u>885,344</u>	<u>3,981,607</u>
	Business-type activities		
	Principal	Interest	Total
Year ending December 31:			
2008	\$ 2,176,864	1,609,666	3,786,530
2009	2,250,876	1,523,597	3,774,473
2010	2,327,437	1,434,530	3,761,967
2011	2,406,636	1,342,358	3,748,994
2012	2,488,565	1,246,976	3,735,541
2013 – 2017	8,851,814	4,936,899	13,788,713
2018 – 2022	9,266,759	2,946,759	12,213,518
2023 – 2026	7,287,196	696,245	7,983,441
	<u>\$ 37,056,147</u>	<u>15,737,030</u>	<u>52,793,177</u>

Grants Payable

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

2008	\$ 4,240,000
2009	1,800,000
2010	1,800,000
2011	250,000
2012	125,000
	<u>\$ 8,215,000</u>

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2007

Tax Increment Financing Notes and Bonds

At December 31, 2007, \$194,539,486 of tax increment financing notes and bonds was outstanding. The related tax increment districts are not component units of the City; therefore, the City is not liable for the outstanding debt. The City's responsibility for this liability is limited only to remittance of paid taxes to the lenders.

Tax increment notes and bonds outstanding at December 31, 2007 are comprised of the following individual issues listed below and on the following pages:

Tax Increment Notes and Bonds

<u>Original amount</u>	<u>Issue</u>	<u>Effective interest rate at issuance</u>	<u>December 31, 2007</u>
\$ 15,639,284	Townsend Investments (Wallstreet Towers)	8.50%	\$ 17,707,572
9,750,000	Brandeis Lofts LLC Condominiums	7.00	11,059,478
14,515,000	FNB Tower Project – Series 1999A	6.97 – 7.68	10,250,000
11,585,000	Convention Center Hotel Redevelopment Project	2.50 – 4.85	10,135,000
8,490,000	Sorenson Park Plaza Commercial Development	6.00	10,026,576
5,972,725	Ames Center/Benson Plaza Redevelopment	8.00	8,420,934
4,000,000	Shamrock Parking LLC	7.50	5,493,120
7,200,000	Aksarben Future Trust	7.42	5,335,321
5,000,000	Broadmoor Development (Aksarben Project 4)	7.50	5,214,726
4,200,000	Riverfront Partners LLC	5.50	4,935,237
4,100,000	Omaha World Herald	9.00	3,721,565
3,500,000	jLofts Condominiums	7.50	3,685,548
3,440,000	BOCA Development	7.00	3,635,652
2,750,000	Courtland Place No. I LLC	8.00	3,338,090
2,709,950	Benson Park Plaza Redev Phase II	8.00	3,132,019
2,528,000	DMK Investments LLC	6.50	2,781,978
2,315,500	North Central Group Redev Phase II	7.25	2,575,616
2,650,000	First Data Resources	8.00	2,519,807
3,500,000	FNB Tower Project – Series 1999B	6.97 – 7.68	2,465,000
2,196,000	Georgetown Properties (Aksarben Project 3)	7.25	2,305,484
1,950,000	Jackson Lofts LLC Redevelopment	6.50	2,228,751
1,949,000	North Central Group Redev Phase I	7.25	2,167,944
2,087,400	1023 Jones Street LLP	7.25	2,131,210
1,840,000	Model 'T' Ford Building LLC	7.00	1,991,090
1,750,000	Ontrack Development LLC	8.50	1,966,401

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2007

Tax Increment Notes and Bonds

Original amount	Issue	Effective interest rate at issuance	December 31, 2007
\$ 1,800,000	River City Lodging LLC	6.00%	\$ 1,935,828
3,440,000	Downtown Northeast – Redevelopment Project No. 1	6.25	1,929,000
1,400,000	Livestock Exchange Building LLC	7.00	1,819,257
1,600,000	Drake Court Apts. (710 S 20th LLC)	7.00	1,727,456
1,335,000	Greater Omaha Packing II	6.00	1,678,703
1,546,998	Zone 5 LLC (Aksarben Village)	7.50	1,613,434
1,502,460	Noddle AV4 LLC (Aksarben Project 1C)	7.62	1,568,016
1,349,000	Bushido University LLC	7.25	1,547,603
1,495,000	National Parks Service Redevelopment	5.50	1,464,491
2,098,000	Airlite Plastics Company	7.75	1,458,907
1,135,000	Food Services of America	8.00	1,437,538
1,370,000	RHW Management Inc. (Aksarben Project 5)	7.50	1,428,835
790,000	Bernis Company, Inc.	8.50	1,378,868
1,553,000	Hilton Garden Inn	9.00	1,354,931
1,725,000	Millard Refrigerated Svc/NE Beef	6.00	1,338,906
1,519,000	Downtown Northeast	8.00	1,270,484
1,100,000	Kimball Lofts LLC	8.50	1,252,701
1,000,000	T.S. McShane LLC (P.E. Iler Bldg)	7.00	1,230,313
983,000	Grover Street Acquisition LLC	7.00	1,134,716
894,600	707 South 11th Street LP	7.50	1,128,331
3,510,000	Riverfront Hotel Redevelopment Project	6.00	1,061,000
1,108,538	Phillips Realty LLC	5.00	1,060,162
1,000,000	Downtown Dodge Developers LLC	8.25	1,042,493
4,649,620	Riverfront Redevelopment – ConAgra Series 2A	6.50	1,018,780
856,000	Hy-Vee, Inc. Redevelopment	7.00	1,005,733
777,000	1111 Jones Street LLC (Museum Kaneko)	7.00	967,578
602,498	Signa Development Svcs (Omaha Club)	7.50	916,061
790,000	1000 Dodge Street LLC	6.50	886,594
844,805	Noddle AV3 LLC (Aksarben Project 1B)	7.62	881,666
918,400	St. Joseph Terrace Apts. LLC	8.00	878,766
495,000	Abbot Drive Plaza Redevelopment	8.00	843,714
553,000	Cintas Group (North Omaha Business Park)	8.50	790,740

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2007

Tax Increment Notes and Bonds

Original amount	Issue	Effective interest rate at issuance	December 31, 2007
\$ 600,000	Twenty Fourth & Hamilton LLC	7.00%	\$ 769,975
526,000	California Housing LLC	7.50	652,561
566,000	BM & J Holdings LLC	7.00	630,321
602,625	Noddle AV2 LLC (Aksarben Project 1A)	7.62	628,919
510,750	Sutherlands Plaza LLC	6.50	611,131
721,000	Airlite Plastics Company II	6.00	608,722
576,000	Columbo LLC (Aksarben Place)	7.50	608,196
500,000	Premier Place Development	9.25	590,800
580,000	Miami Heights Area Redevelopment	8.50	579,217
377,000	Drake Williams Steel	9.25	550,961
525,000	U.S. Food Service	8.00	541,107
450,000	DTD LLC & Jobbers Canyon LLC	7.00	536,100
1,222,400	Westin Aquila	7.00	529,074
438,000	Turner Park LLC Redevelopment	8.00	509,539
400,000	American Laboratories	9.00	502,103
440,000	The Hill Condo Conversions	7.50	483,691
389,000	Rycan, Inc. d/b/a West & Willy Redevelopment	6.70	447,854
416,000	Graham Ice Cream Building	8.00	438,886
378,000	Joslyn Lofts Limited Partnership	8.00	432,852
415,535	P&A McGill LLC	6.00	432,680
406,410	Zone Three Commons LLC (Aksarben Project 1D)	7.62	424,143
620,000	Downtown NE Redevelopment – Child Care Facility	5.00	403,900
655,000	Ford Warehouse Apartments	9.00	388,504
355,000	Village Development (24th Street LLC)	8.00	372,659
419,000	Spaghetti Building	9.00	350,428
424,000	Bull Durham	9.00	347,632
1,210,000	Riverfront Hotel Redevelopment Project	4.00	338,000
540,000	Rivergate Apartments	8.75	326,122
300,000	James Tinsley Villas LLC	7.50	315,904
1,420,380	Riverfront Redevelopment – ConAgra Series 2B	6.50	311,220
275,000	St Clair Condos LLC	6.00	307,150

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2007

Tax Increment Notes and Bonds

<u>Original amount</u>	<u>Issue</u>	<u>Effective interest rate at issuance</u>	<u>December 31, 2007</u>
\$ 180,000	1234 South 13th Street	8.78%	\$ 302,150
235,000	Midlands Recycling	7.25	296,406
307,200	Ames Avenue LLC	8.00	285,726
202,000	Riley Building LLC	8.00	283,648
232,000	The Village at Omaha LP Redevelopment	7.00	279,014
374,000	Securities Building LP	8.00	274,660
186,000	E.A. Pedersen Redevelopment	8.00	271,881
239,817	La Cuadra LLC	7.80	268,854
250,000	S&S Properties LLC (Heartland Scenic Studios)	7.50	262,894
285,000	1613 Farnam Street LLC	8.50	257,319
581,820	Farnam Parl Investments	8.00	256,991
243,000	King's Heritage Estates I	8.00	256,907
139,000	Riverview Meadows	9.00	247,996
202,000	Channel Construction (Airport Bus. Park)	8.00	239,985
285,000	O'Keefe Elevator Company, Inc. Red.	8.50	239,153
215,000	Salem Village	8.75	238,400
238,000	Cohen Squared LLC	8.75	237,957
243,600	Village Development	8.00	237,947
600,000	Downtown NE Redevelopment – FNB Data Center 2004	5.90	232,600
150,000	QRS (Quality Refrigerated Svcs) Redev II	8.25	210,316
181,500	1115 Harney LLP	9.00	188,720
150,000	Fullwood Square Apartments LLP	8.75	188,205
175,000	Immaculate Conception School	8.00	185,582
200,000	Upstream Brewing Company	10.13	184,242
106,800	Bradford Investment Group (Benson)	9.00	181,894
160,000	DEEL Investments LLC	8.00	178,557
150,000	5217 South 28th Street LLC Redevelopment	7.00	177,795
290,000	Orchard Manor	9.50	163,928
210,000	Aspen Ridge Apartments	10.00	151,574
180,225	Robbins School LLP	9.00	148,362
118,000	South Omaha Affordable Housing Corp.	8.50	136,409
125,000	701 South 15th LLC	8.00	132,756
108,000	Underwood Properties, Inc.	7.00	125,902
550,000	1101 Harney LLC	8.00	122,142
120,000	Kellom Gardens Limited	7.25	119,427

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2007

Tax Increment Notes and Bonds

<u>Original amount</u>	<u>Issue</u>	<u>Effective interest rate at issuance</u>	<u>December 31, 2007</u>
\$ 104,000	Nathan LP/Nathan Development LLC	7.50%	\$ 116,096
273,000	Cannonball Express #3	9.00	113,662
110,000	Grace Plaza/Twentieth Plaza	8.50	111,911
125,000	Kellom Villa Limited	7.25	111,854
260,000	Quality Refrigerated Services	8.50	107,707
71,000	Big Jim's Plus Gas & Convenience Store	9.38	106,641
100,000	Cox/Suburban Electric Redevelopment	8.50	101,505
195,000	Campus for Hope	2.71	100,591
100,000	Meredith Manor	10.00	96,950
86,000	CF Studio	6.25	91,758
180,015	National Building	9.00	89,707
77,950	Roman Marble Products	8.00	85,900
86,600	Armored Knights	5.00	84,130
95,000	Jackson Street Partnership	8.00	62,058
50,000	T&B Properties LLC	9.50	58,305
94,140	Caldwell Limited Partnership	10.00	54,430
42,885	Ames/Fontenelle LLC	9.00	52,308
76,000	L&R Holdings LLC	8.50	45,701
167,600	Kellom Heights	10.00	43,645
30,000	Kohlls Drug	8.50	37,836
88,830	Kellom Plaza	10.00	37,074
479,000	Lozier III	7.00	12,247
90,000	Packers Engineering and Equipment	9.25	3,890
61,500	McCarthy Printing	8.25	1,206
	Total tax increment notes and bonds		<u>\$ 194,539,486</u>

Debt Margin/Covenants

According to the City Charter, the total amount of general obligation indebtedness (including annexed area bonds) outstanding at any time, which shall include bonds issued, but shall not include bonds authorized until they are issued, shall not exceed 3.5% of the actual value of taxable real and personal property in the City. Debt margin as of December 31, 2007 is calculated as follows:

Debt limit	\$ <u>885,578,392</u>
General obligation debt	536,826,472
General debt service fund balance	<u>16,491,540</u>
	<u>520,334,932</u>
Debt margin	\$ <u><u>365,243,460</u></u>

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2007

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 May 15, 2007, the City issued \$109,750,000 of Convention Center Hotel refunding bonds to provide resources to purchase U.S. Government, State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$109,910,000 of Convention Center Hotel bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the business-type activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$4,507,582. 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 27 years by \$8,579,938 and resulted in an economic gain of \$13,690,855.

On October 15, 2007, the City issued \$15,260,000 of general obligation refunding bonds to provide resources to purchase U.S. Government, State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$14,980,000 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 \$370,194. This amount is being netted against the new debt and amortized over the shorter of the life of the refunded debt or original debt. This refunding was undertaken to reduce total debt service payments over the next 16 years by \$1,363,582 and resulted in an economic gain of \$1,402,944.

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, 2007 is shown below:

General Obligation Bonds

Convention Center Series A	\$	112,505,000
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Business-type Revenue Bonds

Convention Center Hotel Bonds	\$	102,725,000
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Derivative Financial Instruments

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

Terms, fair values, and credit risk – The terms, including the fair values and credit ratings of the outstanding swaps as of December 31, 2007, are as follows. The notional amounts of the swaps match the

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2007

principal amounts of the associated debt. The City's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated bonds.

<u>Associated bond issue</u>	<u>Notional amounts</u>	<u>Effective date</u>	<u>Fixed rate paid</u>	<u>Fair value</u>	<u>Swap termination date</u>	<u>Counterparty credit rating</u>
2002 SOB Bonds*	\$ 32,000,000	February 2002	6.12%	\$ 4,451,877	February 2026	N/A
2002 STRB Bonds**	<u>1,830,000</u>	February 2002	5.64	93,381	February 2013	N/A
	<u>\$ 33,830,000</u>					

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

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

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

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

(7) Leases

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

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2007

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, 2007:

	Governmental activities	Business-type activities
Fiscal year ending:		
2008	\$ 4,161,957	4,679,287
2009	4,092,260	4,658,277
2010	4,099,172	4,660,690
2011	4,110,268	4,663,606
2012	4,085,254	4,650,688
2013 – 2017	18,657,882	21,255,699
2018 – 2022	8,923,267	13,585,470
2023 – 2027	2,455,914	9,891,867
2028 – 2032	—	9,116,360
2033 – 2033	—	1,829,585
	50,585,974	78,991,529
Total minimum lease payments		
Less amount representing interest	13,167,750	31,176,529
Total principal obligation under capital leases with rates of interest from 2.50% to 7.98%	\$ 37,418,224	47,815,000

The City leases space in the Omaha Douglas Civic Center and the adjoining Hall of Justice under a lease that expires only upon payment of all outstanding bonds of the Omaha-Douglas Public Building Commission. The annual rental payments are determined based upon actual space occupied by the City for operation and maintenance. Actual rental payments for 2007 were approximately \$1,389,641.

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2007

(8) Receivables and Due From Other Governments

Receivables at December 31, 2007 of the City's major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Debt service</u>	<u>Nonmajor</u>	<u>Total governmental activities</u>	<u>Parking</u>	<u>Sewer fund</u>	<u>Nonmajor</u>	<u>Total business-type activities</u>	<u>Total</u>
Receivables:									
Property taxes	\$ 59,898,047	43,314,785	3,690,101	106,902,933	—	—	—	—	106,902,933
Telephone									
occupation tax	2,917,023	—	—	2,917,023	—	—	—	—	2,917,023
Hotel motel									
occupation tax	272,642	—	—	272,642	—	—	—	—	272,642
Vehicle rental									
occupation tax	500,086	—	—	500,086	—	—	—	—	500,086
Cable TV and Gas									
franchise fee	1,142,064	—	—	1,142,064	—	—	—	—	1,142,064
MUD in lieu of tax	1,123,616	—	—	1,123,616	—	—	—	—	1,123,616
OPPD in lieu of tax	25,724	18,576	1,579	45,879	—	—	—	—	45,879
Motor vehicle tax	650,551	—	—	650,551	—	—	—	—	650,551
Special assessment	—	4,807,965	2,649,710	7,457,675	—	—	—	—	7,457,675
State aid distribution	1,014,381	—	—	1,014,381	—	—	—	—	1,014,381
Due from other									
governments	19,964,265	211,968	21,864,378	42,040,611	—	—	25,577	25,577	42,066,188
Accrued interest	841,378	—	70,680	912,058	—	214,118	—	214,118	1,126,176
Charges for services and other	7,479,391	—	5,268,978	12,748,369	402,173	3,709,186	55,631	4,166,990	16,915,359
Gross receivables	95,829,168	48,353,294	33,545,426	177,727,888	402,173	3,923,304	81,208	4,406,685	182,134,573
Less allowance for uncollectible	(228,379)	—	—	(228,379)	—	—	—	—	(228,379)
Net total receivables	\$ 95,600,789	48,353,294	33,545,426	177,499,509	402,173	3,923,304	81,208	4,406,685	181,906,194

Governmental funds report deferred revenues in connection with receivables for revenues not considered available to liquidate liabilities of the current period. At December 31, 2007, the various components of deferred revenue and unearned revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property tax receivable (general fund)	\$ 59,898,047	1,170
Property tax receivable (debt service fund)	43,314,785	846
Special assessments (debt service fund)	4,807,965	—
Property tax receivable (other governmental funds)	3,673,224	72
Special assessments (other governmental funds)	2,649,710	—
Grants (other governmental funds)	12,908,131	308,247
	<u>\$ 127,251,862</u>	<u>310,335</u>

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2007

(9) Employees' Retirement Plans

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

(a) Civilian Plan

Plan Description – The Civilian Plan is a single employer contributory defined-benefit pension plan. The Civilian Plan provides retirement benefits to plan members and beneficiaries. All eligible City employees, except the following, are covered by the plan: police; firefighters; persons paid on a contractual or fee basis; seasonal, temporary, and part-time employees; and elected officials who do not make written application. Cost of living adjustments are provided to members and beneficiaries at the discretion of the City in accordance with plan provisions. A cost of living adjustment currently is provided for members who retired prior to January 28, 1998 after a five-year waiting period. The City Council has the authority to negotiate, set, and amend contribution rates for the employees and employer. 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 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 \$4,262,326 for the employees and \$4,975,039 for the employer for the year ended December 31, 2007.

Participant Data

Number of:

Active members	1,119
Service retirements	877
Surviving spouses and children	252
Disabled	91
Deferred vested	82
Total participants	<u>2,421</u>

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

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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, 2007 are as follows:

Annual required contribution	\$ 8,883,617
Interest on net pension obligation	807,256
Adjustment to annual required contribution	<u>(896,330)</u>
Annual pension cost	8,794,543
Contributions made	<u>(4,975,039)</u>
Increase in net pension obligation	3,819,504
Net pension obligation, beginning of year	<u>(10,090,703)</u>
Net pension obligation, end of year	<u><u>\$ (13,910,207)</u></u>

Schedule of employer contributions

	Annual Pension Cost (APC)	Percentage of APC contributed	Net pension obligation
Fiscal year ended:			
2007	8,794,542	57%	(13,910,207)
2006	6,135,462	67	(10,090,703)
2005	6,822,028	65	(8,100,275)

Additional information as of the latest actuarial valuation follows:

Valuation date	January 1, 2007
Actuarial cost method	Entry age—normal cost
Amortization method	Level percent closed
Remaining amortization period	25 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

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2007

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

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.

Summary financial information for the Civilian Plan is as follows:

Assets	
Cash and cash equivalents	\$ 1,645,049
Due from other funds	1,250,530
Receivables:	
Accrued interest	890,999
Other	422,439
Investments, at fair value	<u>290,449,005</u>
Total assets	<u>\$ 294,658,022</u>
Liabilities	
Warrants payable	\$ 52,066
Accounts payable	<u>511,778</u>
Total liabilities	<u>563,844</u>
Net Assets	
Net assets:	
Held in trust for pension benefits	<u>294,094,178</u>
Total liabilities and net assets	<u>\$ 294,658,022</u>

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2007

Additions:	
Contributions:	
Employer	\$ 4,975,039
Employee	4,262,326
Total contributions	9,237,365
Investment income (loss):	
Dividends and interest	6,792,314
Net appreciation in fair value of investments	10,562,263
Investment expenses	(2,040,494)
Net investment income	15,314,083
Total additions	24,551,448
Deductions:	
Benefit payments	22,497,881
Change in net assets	2,053,567
Net assets held in trust for pension benefits, beginning of year	292,040,611
Net assets held in trust for pension benefits, end of year	\$ 294,094,178

(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:

Bargaining Group	Employee rate	City rate
Fire Sworn	15.40%	20.02%
Fire Management	15.45	21.07
Police Sworn	14.55	20.17
Police Management	14.57	20.19

In addition, the City will make contributions of \$1,327,600 annually through 2028. Administrative costs for management of the funds are financed through investment earnings. Other administrative costs of the Uniformed Plan are paid by the City’s General Fund. Contributions to the Uniformed

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2007

Plan totaled \$16,324,043 for the employees and \$20,699,211 for the employer for the year ended December 31, 2007.

Participant Data

Number of:

Active members	1,370
Service retirements	802
Surviving spouses and children	285
Disabled	250
Deferred vested	12
	<hr/>
Total participants	<u>2,719</u>

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, 2007 are as follows:

Annual required contribution	\$ 34,842,280
Interest on net pension obligation	2,530,416
Adjustment to annual required contribution	<u>(2,809,630)</u>
Annual pension cost	34,563,066
Contributions made	<u>(20,699,211)</u>
Increase in net pension obligation	13,863,855
Net pension obligation, beginning of year	<u>(31,630,196)</u>
Net pension obligation, end of year	<u>\$ (45,494,051)</u>

Schedule of employer contributions

	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation</u>
Fiscal year ended:			
2007	34,563,067	60%	(45,494,051)
2006	30,917,700	65	(31,630,196)
2005	26,145,454	78	(20,884,106)

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2007

Additional information as of the latest actuarial valuation follows:

Valuation date	January 1, 2007
Actuarial cost method	Entry Age Normal Method
Amortization method	Level percent of pay
Remaining amortization period	26 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)

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

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

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2007

Summary financial information for the Uniformed Plan is as follows:

Assets	
Receivables:	
Accrued interest	\$ 1,117,240
Other	6,437,290
Investments, at fair value	<u>524,503,092</u>
Total assets	<u>\$ 532,057,622</u>
Liabilities	
Warrants payable	\$ 591
Accounts payable	882,460
Due to other funds	<u>1,250,530</u>
Total liabilities	<u>2,133,581</u>
Net Assets	
Net assets:	
Held in trust for pension benefits	<u>529,924,041</u>
Total liabilities and net assets	<u>\$ 532,057,622</u>
Additions:	
Contributions:	
Employer	\$ 20,699,211
Employee	<u>16,324,043</u>
Total contributions	<u>37,023,254</u>
Investment income (loss):	
Dividends and interest	11,829,719
Net appreciation in fair value of investments	17,207,953
Investment expenses	<u>(3,306,559)</u>
Net investment income	<u>25,731,113</u>
Total additions	62,754,367
Deductions:	
Benefit payments	<u>40,439,107</u>
Change in net assets	22,315,260
Net assets held in trust for pension benefits, beginning of year	<u>507,608,781</u>
Net assets held in trust for pension benefits, end of year	<u>\$ 529,924,041</u>

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2007

(10) Capital Assets

Capital asset activity for the year ended December 31, 2007 is as follows:

	<u>Beginning balances</u>	<u>Change in reporting entity</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balances</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 123,173,190	373,300	1,387,940	—	124,934,430
Cultural assets	5,833,600	—	—	—	5,833,600
Construction in progress	<u>52,110,065</u>	<u>71,047</u>	<u>16,331,598</u>	<u>8,807</u>	<u>68,503,903</u>
Total capital assets, not being depreciated	<u>181,116,855</u>	<u>444,347</u>	<u>17,719,538</u>	<u>8,807</u>	<u>199,271,933</u>
Capital assets, being depreciated:					
Buildings	463,423,791	8,554,311	18,350,301	—	490,328,403
Machinery and equipment	58,853,811	2,242,614	4,761,088	1,723,971	64,133,542
Infrastructure	349,829,219	21,500,237	69,688,262	—	441,017,718
Lease purchases	<u>53,140,326</u>	<u>—</u>	<u>590,502</u>	<u>—</u>	<u>53,730,828</u>
Total capital assets, being depreciated	<u>925,247,147</u>	<u>32,297,162</u>	<u>93,390,153</u>	<u>1,723,971</u>	<u>1,049,210,491</u>
Less accumulated depreciation for:					
Buildings	134,375,348	1,582,514	13,373,578	—	149,331,440
Machinery and equipment	41,594,113	1,792,839	4,011,121	1,589,524	45,808,549
Infrastructure	76,231,834	11,328,111	18,986,262	—	106,546,207
Lease purchases	<u>12,868,850</u>	<u>—</u>	<u>2,010,086</u>	<u>—</u>	<u>14,878,936</u>
Total accumulated depreciation	<u>265,070,145</u>	<u>14,703,464</u>	<u>38,381,047</u>	<u>1,589,524</u>	<u>316,565,132</u>
Total capital assets, being depreciated, net	<u>660,177,002</u>	<u>17,593,698</u>	<u>55,009,106</u>	<u>134,447</u>	<u>732,645,359</u>
Governmental activities capital assets, net	<u>\$ 841,293,857</u>	<u>18,038,045</u>	<u>72,728,644</u>	<u>143,254</u>	<u>931,917,292</u>

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2007

Depreciation expense was charged to functions/programs as follows:

Governmental activities:		
General government	\$	696,355
Public safety		2,989,337
Community development		707,655
Ecological services		750,317
Culture and parks		13,304,850
Transportation services		9,518,446
		<u>9,518,446</u>
Total depreciation expense – governmental	\$	<u><u>27,966,960</u></u>

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

	<u>Beginning balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balances</u>
Convention Center Hotel Fund:				
Capital assets, not being depreciated:				
Cultural assets	\$ 498,366	—	—	498,366
Capital assets, being depreciated:				
Buildings	70,900,691	321,554	—	71,222,245
Machinery and equipment	3,490,276	103,267	35,800	3,557,743
Furniture and fixtures	6,779,025	13,741	—	6,792,766
	<u>81,169,992</u>	<u>438,562</u>	<u>35,800</u>	<u>81,572,754</u>
Less accumulated depreciation for:				
Buildings	4,427,462	1,781,530	—	6,208,992
Machinery and equipment	1,722,969	700,564	22,353	2,401,180
Furniture and fixtures	3,383,106	1,362,290	—	4,745,396
	<u>9,533,537</u>	<u>3,844,384</u>	<u>22,353</u>	<u>13,355,568</u>
Total capital assets, being depreciated, net	<u>71,636,455</u>	<u>(3,405,822)</u>	<u>13,447</u>	<u>68,217,186</u>
Convention Center Hotel Fund capital assets, net	\$ <u>72,134,821</u>	<u>(3,405,822)</u>	<u>13,447</u>	<u>68,715,552</u>

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2007

	<u>Beginning balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balances</u>
Parking Facilities Fund:				
Capital assets, not being depreciated:				
Land	\$ 2,473,344	—	—	2,473,344
Construction in progress	<u>1,246,261</u>	<u>—</u>	<u>1,246,261</u>	<u>—</u>
Total capital assets, not being depreciated	<u>3,719,605</u>	<u>—</u>	<u>1,246,261</u>	<u>2,473,344</u>
Capital assets, being depreciated:				
Leased buildings	54,887,138	1,551,933	—	56,439,071
Buildings	<u>4,567,229</u>	<u>—</u>	<u>—</u>	<u>4,567,229</u>
Total capital assets, being depreciated	<u>59,454,367</u>	<u>1,551,933</u>	<u>—</u>	<u>61,006,300</u>
Less accumulated depreciation for:				
Leased buildings	14,534,174	2,797,319	—	17,331,493
Buildings	<u>3,796,509</u>	<u>—</u>	<u>—</u>	<u>3,796,509</u>
Total accumulated depreciation	<u>18,330,683</u>	<u>2,797,319</u>	<u>—</u>	<u>21,128,002</u>
Total capital assets, being depreciated, net	<u>41,123,684</u>	<u>(1,245,386)</u>	<u>—</u>	<u>39,878,298</u>
Parking Facilities Fund capital assets, net	\$ <u><u>44,843,289</u></u>	<u><u>(1,245,386)</u></u>	<u><u>1,246,261</u></u>	<u><u>42,351,642</u></u>

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2007

	<u>Beginning balances</u>	<u>Change in reporting entity</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balances</u>
Sewer Revenue Fund:					
Capital assets, not being depreciated:					
Land	\$ 2,216,860	127,637	180,925	—	2,525,422
Construction in progress	<u>35,722,218</u>	<u>—</u>	<u>27,370,078</u>	<u>30,875,784</u>	<u>32,216,512</u>
Total capital assets, not being depreciated	<u>37,939,078</u>	<u>127,637</u>	<u>27,551,003</u>	<u>30,875,784</u>	<u>34,741,934</u>
Capital assets, being depreciated:					
Utility plant	517,949,911	6,864,736	37,591,254	—	562,405,901
Machinery and equipment	<u>15,134,562</u>	<u>219,622</u>	<u>601,370</u>	<u>—</u>	<u>15,955,554</u>
Total capital assets, being depreciated	<u>533,084,473</u>	<u>7,084,358</u>	<u>38,192,624</u>	<u>—</u>	<u>578,361,455</u>
Less accumulated depreciation for:					
Utility plant	222,786,191	2,546,043	15,236,537	—	240,568,771
Machinery and equipment	<u>12,711,263</u>	<u>183,377</u>	<u>311,407</u>	<u>—</u>	<u>13,206,047</u>
Total accumulated depreciation	<u>235,497,454</u>	<u>2,729,420</u>	<u>15,547,944</u>	<u>—</u>	<u>253,774,818</u>
Total capital assets, being depreciated, net	<u>297,587,019</u>	<u>4,354,938</u>	<u>22,644,680</u>	<u>—</u>	<u>324,586,637</u>
Sewer Revenue Fund capital assets, net	<u>\$ 335,526,097</u>	<u>4,482,575</u>	<u>50,195,683</u>	<u>30,875,784</u>	<u>359,328,571</u>

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2007

	<u>Beginning balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balances</u>
Nonmajor Enterprise Funds:				
Capital assets, not being depreciated:				
Construction in progress	\$ 485,924	—	485,924	—
Capital assets, being depreciated:				
Buildings and systems	8,654,450	916,673	—	9,571,123
Machinery and equipment	<u>3,029,579</u>	<u>172,924</u>	—	<u>3,202,503</u>
Total capital assets, being depreciated	<u>11,684,029</u>	<u>1,089,597</u>	—	<u>12,773,626</u>
Less accumulated depreciation for:				
Building and systems	3,393,017	—	—	3,393,017
Machinery and equipment	<u>2,554,655</u>	<u>449,549</u>	—	<u>3,004,204</u>
Total accumulated depreciation	<u>5,947,672</u>	<u>449,549</u>	—	<u>6,397,221</u>
Nonmajor Enterprise capital assets, net	\$ <u><u>6,222,281</u></u>	<u><u>640,048</u></u>	<u><u>485,924</u></u>	<u><u>6,376,405</u></u>

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2007

(11) Fund Deficits

Fund deficits exist in the following funds:

Major Enterprise Funds:	
Parking Facilities	\$ 5,118,689
Convention Center Hotel	23,846,203
Nonmajor Enterprise Fund:	
Printing and Graphics	156,201
Air Quality	10,675
Nonmajor Capital Projects Funds:	
Missouri River Pedestrian Bridge	2,854,390
Back to the River Project	1,375,617
University of Nebraska Medical Center Improvement	20,427
Capital Special Assessment	39,349
Nonmajor Special Revenue Funds:	
Park Development	2,874,516
Nebraska Affordable Housing Trust	774,737
Local Law Enforcement Block Grant	86,506
Lead-Based Paint Hazard Grant	118,994
School Related Grant	24,501
COPS More 1998	239,212
Metro Drug Task Force Grants	39,023
Comprehensive Communities Program	192,447
COPS More Equipment Grant	1,868,428
COPS Phase One Grant	9,657
Juvenile Detention Grant	27,772
Weed Seed Phase Four	197,059
Fire Department Grants	190,817
Home Program Grant	641,882
Community Development Block Grant	1,491,561
EPA Administration Grants	43,567
Supportive Housing Grant	32,020
Economic Development Incentive Grant	92,891
HUD Shelter Plus Care	36,453
Federal Fire Grant	72,461

The fund deficits will be eliminated through collection of special assessments, operating transfers from other funds, and the collection of deferred revenues.

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

CITY OF OMAHA, NEBRASKA

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

The deficit in the Printing and Graphics and Air Quality Funds will be eliminated by fee increases.

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

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

Postemployment Benefits

Effective January 1, 2007, the City adopted Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement requires the accounting for the annual cost of other postemployment benefits and the related outstanding liability using an actuarial approach similar to pensions. The City implemented prospectively (zero net obligation at transition).

Plan Description

The City provides certain postemployment health care benefits to eligible retirees and their dependents in accordance with provisions established in Chapter 23 of the Omaha Municipal Code. The plan is a single-employer defined benefit healthcare plan administered by the City. The plan does not issue separate financial statements.

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, 2007, the City paid \$12,707,723 for 1,129 retirees. Retiree contribution rates vary from 0% to 5% of an annual estimated premium depending on the bargaining group. Retiree contributions for 2007 were \$386,124.

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

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2007

to exceed 30 years. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2007 are as follows:

	<u>Annual OPEB cost</u>	<u>Percentage of annual OPEB contributed</u>	<u>Net OPEB</u>
Fiscal year ended:			
December 31, 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:

Annual required contribution	\$ 28,600,000
Contributions made	<u>12,707,723</u>
Increase in OPEB obligation	15,892,277
Net OPEB obligation – beginning of year	<u>—</u>
Net OPEB obligation – end of year	<u><u>\$ 15,892,277</u></u>

Funded Status and Funding Progress

The funded status of the plan as of March 1, 2006 is as follows:

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

Actuarial Methods and Assumptions

Actuarial valuations on an ongoing plan involve estimates of the value 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

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

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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, 2006 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 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. 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 2007 and 2006 are as follows:

		<u>Beginning of year liability</u>	<u>Current year claims</u>	<u>Claim payments</u>	<u>End of year liability</u>
2007	\$	13,253,513	44,171,173	37,441,815	19,982,871
2006		21,270,550	26,852,829	34,869,866	13,253,513

(14) Changes in Reporting Entity

Finalizing a two-year legal challenge by the City of Elkhorn (Elkhorn), the Nebraska Supreme Court issued a ruling upholding the City annexation of Elkhorn. On March 1, 2007, the annexation of Elkhorn by the City became official. Elkhorn is located directly west of the City's existing boundary. The annexation of Elkhorn added approximately 8,300 people to the City. The City's estimated population is now 419,545. The annexation also extends the City's three-mile planning jurisdiction by 24,481.80 acres, giving the City more control over the growth and development along its edges.

In terms of physical infrastructure, the annexation of Elkhorn added one library and one community center. Elkhorn had one wastewater treatment plant constructed in the last 15 years and an estimated 150,000 feet of sanitary sewer mains. The Elkhorn parks department maintained three city parks and a swimming pool, all of which will now be taken care of by the City.

The 2006 valuation of the Elkhorn was \$465.3 million. The City's 2006 valuation was \$22.3 billion. Annexing Elkhorn increased the City's property tax base by 2.1%.

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2007

	<u>Sewer Fund</u>	<u>Government-wide business type activities</u>
Net assets, previously reported	\$ 287,007,255	266,598,622
Annexation of Elkhorn	<u>5,669,810</u>	<u>5,669,810</u>
Net assets, as restated	<u>\$ 292,677,065</u>	<u>272,268,432</u>

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other governmental Funds</u>	<u>Government-wide governmental activities</u>
Net assets, previously reported	\$ 32,908,078	11,888,320	55,078,033	312,365,692
Annexation of Elkhorn	<u>785,740</u>	<u>2,346,741</u>	<u>330,525</u>	<u>9,851,045</u>
Net assets, as restated	<u>\$ 33,693,818</u>	<u>14,235,061</u>	<u>55,408,558</u>	<u>322,216,737</u>

(15) Commitments

The City is a defendant in a number of lawsuits in its normal course of operations. In addition to the \$1,464,500 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 \$4.4 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.

(16) Subsequent Events

On March 25, 2008, the City issued Special Obligation Refunding Bonds (taxable) in the amount of \$38,535,000 bearing interest at 6.38%. Bond proceeds will be used to refund previously issued bonds that funded the redevelopment of Gallup Campus/Riverfront Business Park. The original bonds were short-term variable rate bonds, which then City converted into a fixed rate by entering into a swap agreement. Present value savings as a result of this transaction are projected at \$2.9 million. The loan provides for annual principal payment ranging from \$715,000 to \$4,470,000 and semiannual interest payments each February 1 and August 1 through 2026.

(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 OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

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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 cause 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.

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.

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.

(b) *Summary of Significant Accounting Policies*

General – 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.

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.

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2007

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.

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

Property, Equipment, and Intangible Assets, Net – Depreciation is based on the estimated useful lives of the capital assets using the straight-line method. Computer equipment and furniture and fixtures are depreciated over five to ten years. Leasehold improvements are capitalized and amortized over the lesser of the term of the lease or the useful life of the asset. Building rights are amortized on a straight-line basis over 15 years. Repairs and maintenance items that significantly extend the life of an asset are capitalized and amortized over the remaining useful life of the assets. Fixed assets are stated at historical cost. Other repairs and maintenance are charged to expense when incurred.

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).

Capital Improvements and Repair and Replacement 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. The Reserves totaled \$8,500,000 as of June 30, 2007.

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.

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2007

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

(c) ***Deposits and Investments***

Bank Deposits – MECA’s bank deposits are collateralized at June 30, 2007 as follows:

Deposits per bank	\$	301,738
Money market		6,387,997
Total deposits		6,689,735
FDIC coverage		100,000
Uninsured and uncollateralized	\$	6,589,735

Investments – At June 30, 2007, MECA’s investments consist of numerous variable rate preferred securities with various maturity dates in 2050. In addition, MECA has various mutual fund investments in a deferred compensation account. These securities are recorded at fair value based on quotes received from the trustee’s market valuation service. The above investments are in accordance with the investment policy of MECA as of June 30, 2007.

(d) ***Property, Equipment and Intangible Assets***

Activity for the year ended June 30, 2007 for property, equipment and intangible assets and accumulated depreciation are as follows:

		July 1, 2006	Additions	Dispositions	June 30, 2007
Leasehold improvements	\$	58,532	5,793,092	—	5,851,624
Furniture, fixtures and equipment		4,948,514	2,082,876	(43,706)	6,987,684
Building rights		10,079,196	—	—	10,079,196
Construction in progress		2,149,178	—	(2,037,107)	112,071
		17,235,420	7,875,968	(2,080,813)	23,030,575
Accumulated depreciation and amortization		(3,217,736)	(1,465,661)	43,706	(4,639,691)
Total	\$	14,017,684	6,410,307	(2,037,107)	18,390,884

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2007

Construction in progress dispositions include \$46,583 of asset impairments related to software, which was charged to Other Operating Expenses in the statement of revenues, expenses and changes in net assets.

(e) Agreement and Lease

On August 25, 2000, MECA entered into an agreement and lease with the City that requires the City to make annual subventions payments to MECA, initially to fund start-up, preconstruction, planning, and other preoperational activities, and thereafter to help offset anticipated annual operating losses. As discussed in note 17(f), in 2004 MECA amended its agreement and lease with the City (the amended agreement and lease) to provide for the repayment of construction funds. In 2006, the Authority further amended the agreement and lease. Under the amended agreement and lease, the City agrees to transfer to MECA the final subvention amount of \$1,815,000 in fiscal 2008.

(f) Long-term Debt

MECA's long-term debt activity for the year ended June 30, 2007, is as follows:

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007
City	\$ 7,537,460	—	(675,946)	6,861,514
Food service contract	2,571,399	—	(469,992)	2,101,407
Total	\$ 10,108,859	—	(1,145,938)	8,962,921

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 (note 17(d)).

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 ten-year period of the contract, which began in July 2003.

CITY OF OMAHA, NEBRASKA

Notes to Basic Financial Statements

December 31, 2007

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

	<u>Principal</u>	<u>Interest</u>
Year:		
2008	\$ 1,145,938	149,054
2009	1,002,226	149,054
2010	1,002,226	149,054
2011	1,002,226	149,054
2012 – 2016	3,832,305	745,267
2017 – 2019	978,000	322,949
	<u>\$ 8,962,921</u>	<u>1,664,432</u>

(g) 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 ten-year CPI indexed annual payment to the contractor of \$651,805 for the year ended June 30, 2007. There are incentive provisions in the contract that may result in additional payments to the contractor. Such incentives totaled \$412,951 for the year ended June 30, 2007.

(h) Lease Agreements

MECA leases energy systems equipment and a postage machine. Lease expense was \$110,320 for the year ended June 30, 2007. 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 in the amount of \$1,501,620 at June 30, 2007, which will be amortized to lease expense over the remaining term of the original lease.

(i) 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 matched \$92,364 and \$78,231 for the years ended June 30, 2007 and 2006, respectively. 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, 2007.

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, 2007



	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Property tax	\$ 54,058,697	54,058,697	55,126,392	1,067,695
Motor vehicle taxes	8,800,000	8,800,000	8,825,629	25,629
City sales and use tax	119,982,441	119,982,441	118,680,986	(1,301,455)
Business taxes	30,035,962	30,035,962	30,778,878	742,916
Licenses and permits	8,609,645	8,609,645	8,150,481	(459,164)
Intergovernmental revenues	8,667,000	8,667,000	9,246,268	579,268
Charges for services	16,585,600	16,585,600	18,568,340	1,982,740
Interest income	2,300,000	2,300,000	5,671,876	3,371,876
Rent and royalties	120,000	120,000	120,473	473
Miscellaneous	1,596,035	1,596,035	4,915,605	3,319,570
Revenue from annexation	6,900,000	6,900,000	—	(6,900,000)
Total revenues	<u>257,655,380</u>	<u>257,655,380</u>	<u>260,084,928</u>	<u>2,429,548</u>
Expenditures:				
General government:				
Mayor's office	984,356	1,014,883	965,105	49,778
City clerks	633,690	636,180	635,424	756
City council	1,014,720	1,014,720	1,021,215	(6,495)
Law	3,548,477	3,548,477	3,378,888	169,589
Human resources	1,657,814	1,657,814	1,680,577	(22,763)
Human rights and relations	888,543	888,543	828,381	60,162
Finance	2,440,537	2,472,903	2,389,924	82,979
Planning	5,672,956	5,918,350	5,755,897	162,453
Employee benefits	18,443,938	18,443,938	17,410,910	1,033,028
Other agencies	31,447,685	25,796,904	22,869,002	2,927,902
Total general government	<u>66,732,716</u>	<u>61,392,712</u>	<u>56,935,323</u>	<u>4,457,389</u>
Public safety:				
Fire	66,306,358	67,999,030	69,709,351	(1,710,321)
Police	89,363,023	90,549,993	93,535,664	(2,985,671)
Total public safety	<u>155,669,381</u>	<u>158,549,023</u>	<u>163,245,015</u>	<u>(4,695,992)</u>
Public works:				
Environmental	12,583,480	12,863,834	12,478,649	385,185
Street and highway	2,013,552	2,013,552	2,662,187	(648,635)
Total public works	<u>14,597,032</u>	<u>14,877,386</u>	<u>15,140,836</u>	<u>(263,450)</u>
Culture and recreation:				
Parks and recreation	15,013,870	16,560,838	16,483,949	76,889
Libraries	8,036,209	8,669,249	8,356,835	312,414
Convention and tourism	250,000	250,000	250,000	—
Total culture and recreation	<u>23,300,079</u>	<u>25,480,087</u>	<u>25,090,784</u>	<u>389,303</u>
Total expenditures	<u>260,299,208</u>	<u>260,299,208</u>	<u>260,411,958</u>	<u>(112,750)</u>
(Deficiency) excess of revenues over expenditures	<u>(2,643,828)</u>	<u>(2,643,828)</u>	<u>(327,030)</u>	<u>2,316,798</u>
Net changes in fund balances	<u>(2,643,828)</u>	<u>(2,643,828)</u>	<u>(327,030)</u>	<u>2,316,798</u>
Fund balances – beginning of year	2,643,828	2,643,828	5,303,150	2,659,322
Lapsed encumbrances	—	—	2,289,719	2,289,719
Transfer – Contingency Liability Fund	—	—	(700,000)	(700,000)
Transfer – Stormwater Fund	—	—	(10,407)	(10,407)
Fund balances – end of year	<u>\$ —</u>	<u>—</u>	<u>6,555,432</u>	<u>6,555,432</u>

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

CITY OF OMAHA, NEBRASKA

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

Year ended December 31, 2007

(1) **Budget and Budgetary Accounting**

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

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

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

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

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

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

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

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

CITY OF OMAHA, NEBRASKA

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

Year ended December 31, 2007

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:	
2006 carryover to 2008	\$ 2,659,322
2007 carryover to 2009	<u>3,896,110</u>
Total budget basis	6,555,432
Basis differences:	
Taxes accrued	19,675,056
Accrued interest	841,378
Encumbrances	1,206,616
Inventories	<u>690,172</u>
GAAP basis	\$ <u>28,968,654</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	\$ (6,495)
Human resources	(22,763)
Public safety:	
Fire	(1,710,321)
Police	(2,985,671)
Public works:	
Street and highway	(648,635)

CITY OF OMAHA, NEBRASKA

Schedule of Funding Progress and Employer Contributions

Year ended December 31, 2007

Civilian Plan Schedule of Funding Progress (Unaudited)

(Dollar amounts in millions)

<u>Actuarial valuation date</u>	<u>Actuarial value of assets (a)</u>	<u>Actuarial accrued liability (AAL) entry age* (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded ratio (a/b)</u>	<u>Covered payroll (c)</u>	<u>UAAL as a percentage of covered payroll ((b-a)/c)</u>
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
2002	217.1	296.9	79.8	73.1	55.4	144.0

Civilian 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>
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)
2002	6,255,127	58	(1,585,196)

CITY OF OMAHA, NEBRASKA

Schedule of Funding Progress and Employer Contributions

Year ended December 31, 2007

Uniformed Plan Schedule of Funding Progress (Unaudited)

(Dollar amounts 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)
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
2002	314.1	481.6	167.5	65.2	79.7	210.2

Uniformed Plan Schedule of Employer Contributions (Unaudited)

Fiscal year ended	Annual pension cost (APC)	Percentage of APC contributed	Net pension obligation
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	(6,788,841)
2002	15,366,335	99	(746,110)

CITY OF OMAHA, NEBRASKA

Schedule of Funding Progress and Employer Contributions

Year ended December 31, 2007

**Post-Retirement 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, 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, 2007



Federal grantor/pass-through grantor/program title	Grant number	CFDA number	2007 expenditures
U.S. Department of Health and Human Services: Direct program:			
Urban Enterprise Community	N/A	N/A	\$ 399,944
U.S. Department of Homeland Security: Direct program:			
Interoperable Communications Equipment	2004-INWX-0013	97.055	510,617
Passed through Nebraska Emergency Management Agency:			
Urban Area Security Initiative	2005-GET5-0020	97.067	966,442
Urban Area Security Initiative	2006-GET6-0016	97.067	608,810
Buffer Zone Protection Plan	2005-BZPP-Omahapro	97.078	44,230
Total U.S. Department of Homeland Security			<u>2,130,099</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	4,906,620
Emergency Shelter Grants Program	S-00/01-MC-31-0001	14.231	250,845
HOME Investment Partnership Program	M-95/01-MC/DC-31-0203	14.239	2,831,053
Economic Development Incentive	Various	14.246	631,520
Fair Housing Assistance Program	FF207K00/017008	14.401	83,059
Lead-Based Paint Hazard Control	Various	14.900	972,038
Total U.S. Department of Housing and Urban Development			<u>9,675,135</u>
U.S. Department of Interior: Passed through Nebraska State Historical Society – Historic Preservation Fund Grants-in-Aid	2005	15.904	34,436
U.S. Department of Justice: Direct programs:			
Juvenile Justice & Delinquency	2006-JLFX-K073	16.540	254,016
Rural Domestic Violence & Child Victimization	2006-WRAX-0005	16.589	281,075
Grants to Encourage Arrest Policies	2005-WEAX-0035	16.590	207,390
Public Safety Partnership and Community Policing Grants (COPS)	Various	16.710	1,143,150
Weed & Seed	Various	16.725	282,389
G.R.E.A.T. Grant	Various	16.737	83,136
Justice Assistance Grant	Various	16.738	165,483
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	105,723
Project Safe Neighborhoods	Various	16.609	118,246
Metro Drug Task Force	06-DA-307 & 07-DA-306	16.738	206,628
Diversity Training and Minority Recruiting	06DA308	N/A	45,140
Total U.S. Department of Justice			<u>2,892,376</u>
U.S. Department of Transportation: Passed through State of Nebraska Department of Roads: Highway Planning and Construction	Various	20.205	24,161,658
U.S. Environmental Protection Agency: Passed through State of Nebraska Department of Environmental Quality:			
Air Pollution Control Program Support	BG997325-A1	66.001	451,281
Capitalization Grants for Clean Water State Revolving Funds	C317319 & C317375	66.458	5,767,716
Total U.S. Environmental Protection Agency			<u>6,218,997</u>
Office of National Drug Control Policy: Direct Programs – High-Intensity Drug Trafficking Area	Various	NA	277,787
Total expenditures of federal awards			<u>\$ 45,790,432</u>

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

CITY OF OMAHA, NEBRASKA

Notes to Schedule of Expenditures of Federal Awards

Year ended December 31, 2007

(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.

(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, 2007:

Community Development Block Grant	\$ <u>564,037*</u>
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The following is the outstanding principal balance of the HOME Investment Partnership Program at December 31, 2007:

HOME Investment Partnership Program	\$ <u>1,367,996</u>
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Current year loans of \$30,744 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, 2007:

Zorinsky Project	\$ 482,521*
Capitalization Grants for Clean Water State Revolving Funds	<u>37,056,148*</u>
Total	<u>\$ 37,538,669</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, 2007 in the amount of \$3,254,752.



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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, 2007, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 26, 2008. Our report was modified to include a reference to other auditors, change in reporting entity, and the adoption of Governmental Accounting Standards Board Statement No. 45. 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*.

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 would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. 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 (#07-01).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe the significant deficiency described above is a material weakness.

Compliance and Other Matters

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

The City's response to the finding 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.

/s/ KPMG LLP

Omaha, Nebraska
August 26, 2008



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, 2007. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

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

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, 2007.

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 entity'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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 07-02 to be a significant deficiency.

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 consider the deficiency described in the accompanying schedule of findings and questioned costs as 07-02 to be material weakness.

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.

/s/ KPMG LLP

Omaha, Nebraska
August 26, 2008

CITY OF OMAHA, NEBRASKA
Schedule of Findings and Questioned Costs
December 31, 2007

(1) Summary of Auditors' Results

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

Material weaknesses: *No*
- (c) Noncompliance which is material to the basic financial statements: *No*
- (d) Significant deficiencies in internal control over major programs: *Yes*

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) and Capitalization Grants for Clear Water State Revolving Funds (66.458)*
- (h) Dollar threshold used to distinguish between Type A and Type B programs: *\$1,407,683*
- (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 #07-01

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.

Questioned Costs: None.

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

Cause: The service provider has not monitored access.

Effect: Errors were not identified.

Recommendation: We recommend that the City's service provider establish internal controls over access to IT information systems.

CITY OF OMAHA, NEBRASKA

Schedule of Findings and Questioned Costs

December 31, 2007

Management Response: The City has asked the service provider to develop internal control procedures to ensure appropriate security surrounding the general ledger system.

Responsible Official: Al Herink

Corrective action will be complete by August 2008.

(3) Findings and Questioned Costs Relating to Federal Awards

Finding #07-02

Programs: 20.205 Highway Planning and Construction; pass-through grant number 0317319 and 66.458 Capitalization Grants for Clear Water State Revolving Funds-passed through State of Nebraska Department of Environmental Quality; pass-through grant number TCSP-STPB-28 (67).

Federal Grantor Agency: U.S. Department of Transportation and U.S. Environmental Protection Agency.

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 and 66.458 by approximately \$10 million each.

Questioned Costs: None.

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

Effect: CFDA No. 20.205 was understated by \$10 million and CFDA No. 66.458 was overstated by \$10 million.

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

Views of Responsible Official: The City's Grant Accountant will be responsible to coordinate the completion of the Schedule of Expenditures of Federal Grant 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 2008.

Responsible Official: Al Herink