

## **INTRODUCTORY SECTION**

# OFFICIALS OF THE CITY OF LINCOLN

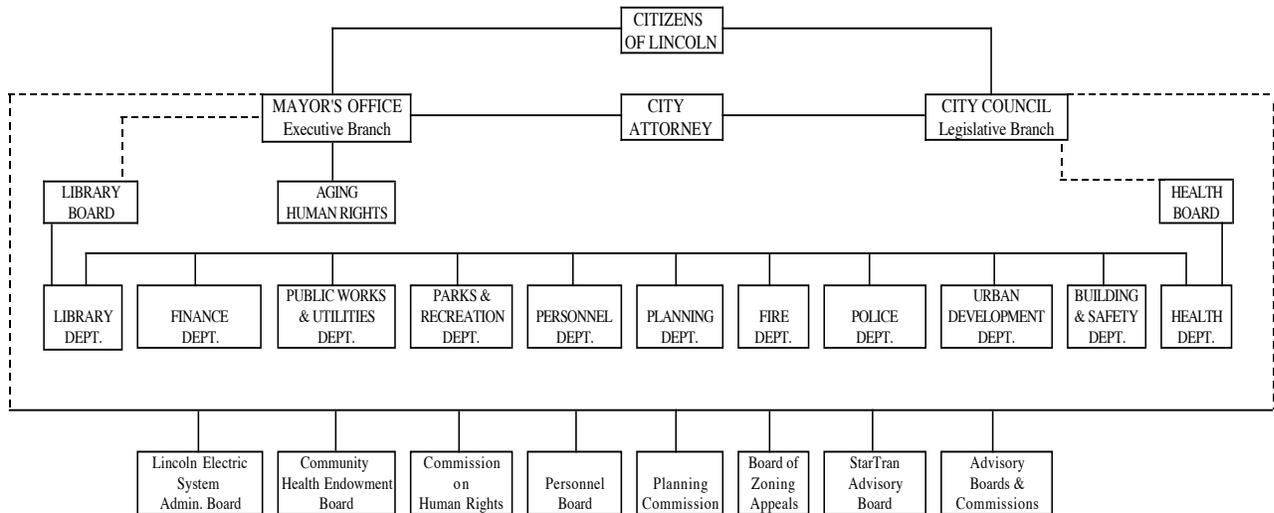
Coleen Seng.....Mayor  
 Ken Svoboda.....Chair, City Council  
 Patte Newman.....Vice Chair, City Council  
 Jonathan Cook.....Council Member  
 Robin Eschliman.....Council Member  
 Annette McRoy.....Council Member  
 Dan Marvin.....Council Member  
 Jon Camp.....Council Member

\* \* \* \* \*

Don Herz.....Finance Director  
 Marvin Krout.....Planning Director  
 Lynn Johnson.....Parks and Recreation Director  
 Terry Bundy.....Lincoln Electric System Administrator  
 Marc Wullschleger.....Urban Development Director  
 Carol Connor.....Library Director  
 Karl Fredrickson.....Public Works/Utilities Director  
 Mike Merwick.....Building and Safety Director  
 Bruce Dart.....Health Director  
 Don Taute.....Personnel Director  
 Dana Roper.....City Attorney  
 Thomas Casady.....Police Chief  
 Mike Spadt.....Fire Chief

\* \* \* \* \*

## CITY OF LINCOLN ORGANIZATION CHART



**CITY OF LINCOLN, NEBRASKA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED AUGUST 31, 2005  
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## STATISTICAL SECTION

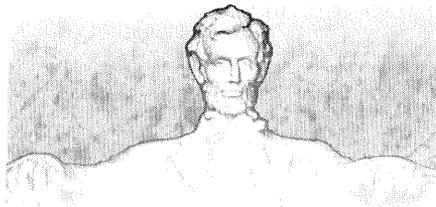
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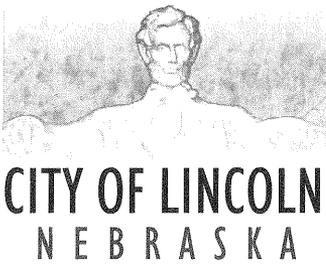
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**CITY OF LINCOLN**  
N E B R A S K A



MAYOR COLEEN J. SENG

[lincoln.ne.gov](http://lincoln.ne.gov)

Office of the Mayor  
555 South 10th Street  
Suite 208  
Lincoln, Nebraska 68508  
402-441-7511  
fax: 402-441-7120  
[mayor@lincoln.ne.gov](mailto:mayor@lincoln.ne.gov)

December 31, 2005

Dear Citizens and Public Officials:

I am pleased to provide the City of Lincoln's Comprehensive Annual Financial Report for the fiscal year ended August 31, 2005.

Sound fiscal policy and discipline are the rule for the City of Lincoln finances. We enforce fiscal responsibility to stay within the operating budget. Our stable city government is an asset to Lincoln's overall economy.

Lincoln residents are proud of our growing and prospering City. The City's good financial condition is reflected by the City's excellent bond ratings.

City Departments do an excellent job of meeting the high demand for city services with limited resources. City government is prudent in its use of taxpayers' funds, as evidenced by the significant reduction in the city property tax rate during the past ten years.

Our ability to manage the City's fiscal affairs and ensure a full disclosure of the City's fiscal condition is exhibited by the unqualified audit opinion. I am proud to report that for the twenty-second consecutive year the Government Finance Officers Association has again recognized the City with the prestigious Certificate of Achievement for Excellence in Financial Reporting for last year's report. This is a complement to the City Finance Department staff for dealing with these complex accounting issues. We express thanks to the Finance Department staff and to all city departments for their cooperation in preparing this document.

Sincerely,

Coleen J. Seng  
Mayor of Lincoln

December 30, 2005

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Lincoln:

Both the City Charter and State law require an annual audit of the City's funds and accounts be made by a recognized independent and qualified accountant covering all financial transactions, affairs, and financial condition of the City, with the audit report published within six months after the close of the fiscal year. Pursuant to this requirement, the Comprehensive Annual Financial Report (CAFR) of the City of Lincoln, Nebraska for the fiscal year ended August 31, 2005, is hereby submitted.

Responsibility for both the accuracy of the data found in this report, and the completeness and fairness of the presentation, including all disclosures, rests with management. In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss, theft, or misuse, and to ensure the reliability of financial records for preparing financial statements in accordance with generally accepted accounting principles (GAAP) and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal, state and local financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. The federal government, under the revised OMB Circular A-133, requires local governments that expend \$500,000 or more in federal funds in any fiscal year to have a financial and compliance audit performed. As part of the City's Single Audit, tests were made of the City's internal control structure over compliance and its compliance with applicable laws and regulations, including those related to major federal financial assistance programs. The Single Audit for the year ended August 31, 2005, disclosed no material internal control weaknesses. The independent accountants' reports are included in the Single Audit section found at the end of the CAFR.

To the best of management's knowledge and belief, the enclosed data are accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the government's financial activities as specified by all currently effective statements of the Governmental Accounting Standards Board have been included.

A firm of licensed certified public accountants has audited the City's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City are free of material misstatement. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent accountants concluded, based upon the audit, that there was a reasonable basis for rendering unqualified opinions that the City's financial statements for the fiscal year ended August 31, 2005, are fairly presented in conformity with GAAP.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found in the Financial Section immediately following the report of the independent accountants.

## **Profile of the City**

The City of Lincoln, capital city of Nebraska, was originally incorporated on April 7, 1869. Lincoln is located in the southeastern corner of the state, is midway between Chicago and Denver, and is currently one of the fastest growing metro areas in the Midwest. It occupies a land area of approximately 80 square miles, serves a population of over 238,000, and in its growth and development has annexed five other municipalities so that the City includes most of the urban area of Lancaster County. It enjoys a unique position in Nebraska as the center of the state's governmental and educational activities.

The City operates under a Home Rule Charter and has a Mayor-Council form of government with an elected full-time chief executive, the Mayor, and an elected legislative body, the Council, composed of seven members. Three Council members are elected at large and four by district on a nonpartisan basis for a term of four years. All legislative powers of the City are exclusively vested in the Council, as well as the power to adopt the budget, set the tax levy, and equalize taxes and assessments. The Mayor is responsible for the proper conduct of the affairs of the City, with the administration of City government performed under the direction of the Mayor through administrative departments.

The City of Lincoln provides a full range of services, including public safety (police and fire); the construction and maintenance of highways, streets, and other infrastructure; health; planning and zoning; golf courses, parks and recreation; urban development; mass transportation; ambulance transport; electric, water, and wastewater utilities, sanitary landfill; auditorium; parking facilities; and general administrative services.

The City Council exercises budgetary and/or rate setting authority over the City Library and Lincoln Electric System (LES), neither of which are legally separate from the City and are thus included as part of the primary government. The Lincoln Water System, Lincoln Wastewater System, Emergency Medical Services, Parking Lots, Parking Facilities, Golf Courses and Pershing Municipal Auditorium are all part of administrative departments under the direction of the Mayor and are included as part of the primary government. Separately audited financial statements are available for LES, Lincoln Water System, Lincoln Wastewater System, Emergency Medical Services, the City's Sanitary Landfill, and the Community Health Permanent Endowment Trust.

The annual budget serves as the basis for the City of Lincoln's financial planning and control. Following public hearings and not later than five days prior to the beginning of the fiscal year, the budget is legally adopted by resolution of the City Council. Appropriation controls are required at the department level, however, as a matter of policy and practice, appropriations generally are controlled at the next level of organization (division) or by fund within a department. The Mayor has the authority to transfer balances within a department as well as lower appropriations in any fund where actual revenues are less than appropriated in order to avoid incurring a budget deficit for the year. Appropriation transfers between departments may only be authorized by resolution of the City Council. The Council may not make any appropriations in addition to those authorized in the annual budget, except in the event of an emergency threatening serious loss of life, health, or property in the community.

## **Economic Condition And Outlook**

Population growth is one of the best indicators of a community's economic well being. As such, the Lincoln metropolitan area's population growth during the past several years reflects a community that is economically viable and is strongly positioned to meet future challenges.

The Lincoln metropolitan area population base (Lancaster County) continues to demonstrate a pattern of sustained growth. According to the U. S. Census figures, the Lincoln metropolitan area population grew over 17% between 1990 and 2000, adding over 3,350 people to the community each year. The 1990 population of 213,641 reached 250,291 persons with the 2000 census, setting the County's annualized rate of population growth for the 1990's at 1.6 percent.

While such a growth rate may be modest by some standards, this healthy pace of expansion places Lincoln as one of the fastest growing communities in this region. Recent projections envision Lincoln to continue to grow at a rate of 1.5 percent per year. As importantly, the City of Lincoln continues to absorb about 90% of all growth in Lancaster County.

Despite a slow national and regional economy, Lincoln's growth has continued. Lincoln's unemployment rate at August 31, 2005 was 3.4%, well below the national average of 4.8%, with employment strongest in the categories of government, educational & health services, and retail trade. Following the building boom experienced in the past few years, Lincoln's construction permit activity has returned to levels comparable to those 5 years ago, with an increase in the value of construction permits of over \$74 million.

To more aggressively pursue economic opportunities, the City, Lancaster County, and LES have partnered to hire an economic development coordinator to facilitate job creation in the private sector. In addition, the Mayors Technology Council completed its technology audit, which led to a new strategic plan for economic development. Developing an identity and slogan for Lincoln is a vital part of that plan.

Current net sales and use tax revenue increased 3.4% over the previous fiscal year. Tax collections have been positively impacted by an improving local economy and an expansion of the sales tax base to include additional services.

### **Long-Term Planning And Major Initiatives**

#### **Urban Development**

The City anticipates approximately \$35 million of public expenditures funded through various urban development projects and programs over the next three years. These projects are varied in type and size and are located in the Downtown and Haymarket areas, North 27<sup>th</sup> Street area, Havelock and University Place business areas, Focus Area neighborhoods, the Antelope Valley project area, 48<sup>th</sup> and O, West O Street, North 56<sup>th</sup> and Arbor Road, West Cornhusker Highway, and in low - moderate income areas throughout the City.

Financing will be provided by a variety of sources, including CDBG, HOME, and Nebraska Affordable Housing Trust Fund grants, Tax Increment Financing, Advanced Land Acquisition funds, Special Assessments, General Fund and Street Construction funds. Funding is often combined with developer, grant or other private sector funds.

The City's involvement will vary depending upon the project and could likely include property acquisition, relocation and demolition; housing rehabilitation and development; commercial development; and construction of public improvements including parking, sidewalks, infrastructure and streetscapes.

Ongoing and anticipated projects include:

- ◆ Downtown Redevelopment Projects:
  - 1) Downtown I-180 entryway improvements.
  - 2) Government Square park and streetscape improvement projects.
  - 3) Redevelopment of Douglas III and Cinema Twin theaters.
  - 4) Implementation of Haymarket 8<sup>th</sup> Street streetscape.
  - 5) Redevelopment of Salvation Army Building.
  - 6) Assist the Planning Department and Downtown Lincoln Association to implement the Downtown Master Plan catalyst projects.
  - 7) Haymarket Housing projects.
- ◆ The North 27<sup>th</sup> Street Corridor redevelopment projects include:
  - 1) Construction of the pedestrian trail bridge at X Street.
  - 2) Redevelopment of the Carpenter's Union building at 1010 North 27<sup>th</sup> Street.
- ◆ Implementation of selected Antelope Valley community revitalization catalyst projects as identified in the Antelope Valley Redevelopment Plan.
- ◆ Havelock Redevelopment on-going projects include streetscape improvements, pedestrian walkway and public parking lot redevelopment and beautification, alley resurfacing and/or repair.
- ◆ University Place Redevelopment includes streetscape improvements, the North 48<sup>th</sup>/University Place Concept Plan implementation, and redevelopment of the former Northeast Printers building.
- ◆ 48<sup>th</sup> and O North/South redevelopment.
- ◆ West O Street redevelopment.

- ◆ North 56<sup>th</sup> and Arbor Road redevelopment.
- ◆ NW Corridor redevelopment (Cornhusker Highway).
- ◆ Housing rehabilitation and development programs:
  - 1) Continuation of First-time Homebuyer, Housing Development, and Owner-Occupied housing rehabilitation loan programs.
  - 2) Development of residential housing in Antelope Valley with the neighborhood “champion” for Antelope Valley, NeighborWorks of Lincoln.
  - 3) Development of residential housing units in conjunction with downtown projects.
  - 4) Continue development of future phases of the affordable housing project, Old Mill Village, with Nebraska Housing Resource and plan the development of the next affordable housing project.
  - 5) Sustain the existing affordable rental housing stock by assisting on-going non-profit and tax credit projects.
- ◆ Housing Rehabilitation and Real Estate Division projects also include:
  - 1) Planning and negotiation for acquisition of park sites.
  - 2) Acquisition and negotiation projects –
 

<ul style="list-style-type: none"> <li>✓ 14<sup>th</sup> and Warlick intersection improvements.</li> <li>✓ Yankee Hill widening, 27<sup>th</sup> – 40<sup>th</sup>.</li> <li>✓ O Street widening, 42<sup>nd</sup> to 52<sup>nd</sup> Streets.</li> <li>✓ West O trunk sewer.</li> <li>✓ Antelope Valley storm water management and transportation projects.</li> <li>✓ Beal Sough relief trunk sewer.</li> <li>✓ SE Upper Salt Creek storm sewer.</li> <li>✓ South 27<sup>th</sup> Street, Porter Ridge Road to south of Yankee Hill Road.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Pine Lake Road widening, 40<sup>th</sup> – 59<sup>th</sup>.</li> <li>✓ Stevens Creek sanitary sewer.</li> <li>✓ Special assessment, executive order, and arterial rehab projects.</li> <li>✓ Various projects in Public Works/Utilities 6-year program.</li> <li>✓ Other Parks and Recreation projects city-wide.</li> <li>✓ Antelope Valley redevelopment plan catalyst projects.</li> </ul>
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  - 3) Acquisition and disposition of surplus properties including tax sale lots, street and alley vacation, surplus park sites, surplus right-of-way, and other miscellaneous properties.
  - 4) Relocation projects including Antelope Valley Storm Management, Transportation, and Community Revitalization.
- ◆ Neighborhood Revitalization projects include: Focus Areas – Implementation of focus area public improvements. The focus areas are located in the Woods Park, Near South, Malone, Everett, Clinton, Downtown, North Bottoms, South Salt Creek and Hartley neighborhoods.
- ◆ The Workforce Investment Act (WIA) is federal legislation which took effect on July 1, 2000. Under this legislation, Mayor Coleen J. Seng is the designated Chief Elected Official working in conjunction with a 47 member Workforce Investment Board. This Board is constituted by law with a business majority. Other members represent community based organizations, education, economic development, organized labor, and program partner agencies. The Board and the Mayor developed a local plan to implement WIA that was approved by the State of Nebraska.

WIA services are provided from the One Stop Career Center, located in downtown Lincoln. During the year, over 27,000 customer visits were made to the Center. A computer lab is operated in the center, serving both job seekers and businesses. Efforts are underway to further align WIA services with local economic development plans and to increase the level of services to businesses in the workforce area.

#### Antelope Valley Project

The City of Lincoln, Lower Platte South Natural Resources District and the University of Nebraska-Lincoln have joined together through an interlocal agreement to form the Joint Antelope Valley Authority (JAVA). JAVA is in the process of implementing the Antelope Valley project, which consists of stormwater, transportation and community revitalization strategies.

When implemented the Antelope Valley Projects will provide significant benefits to the State of Nebraska. Recognizing these benefits, the State Legislature authorized and appropriated one million dollars each state fiscal year, for a period of 15 years, to the City of Lincoln to fund the various projects. The City is required to provide matching funds equal to the ratio of one dollar for each three dollars of the State distribution.

The stormwater and transportation portions of the project are scheduled for completion in 2012. Redevelopment projects have begun and will progress as flood control work is completed. The entire project is projected to cost \$238 million of which nearly 47 percent has been spent or is under contract.

Projects completed include Fleming Field; Military, Y Street, and Vine Street Bridges and Roadways; and channel work between Salt Creek and the BNSF Railway. The BNSF also completed a railroad bridge project over Antelope Creek in 2005.

Landscaping work began on the completed roadway projects and will be completed in the spring of 2006.

Work on the BNSF overpass near Devaney Center began in October 2004 and will be completed in December 2006.

The Corps of Engineers is planning to continue channel work south of the BNSF in 2006. Also, work on the P and Q Street Bridges and Roadways will begin in the fall of 2006.

#### Wastewater System

The Lincoln Wastewater System is projecting a capital improvements program in the amount of approximately \$99,346,000 over the 6-year period of fiscal year 2005-06 through fiscal year 2010-11. Of that total, approximately \$68,996,000 will be financed by revenue bonds, approximately \$2,830,000 will be financed by impact fees, with the remaining \$27,520,000 to come from charges for services. The majority of these dollars are needed for replacement and maintenance of existing infrastructure, new infrastructure to serve development in various basins throughout the City, and improvements to both the Theresa Street and Northeast treatment plants.

#### Water System

The Lincoln Water System is projecting a capital improvements program in the amount of approximately \$107,949,000 over the 6-year period of fiscal year 2005-06 through 2010-11. Of these dollars, approximately \$80,190,000 will be financed through revenue bonds, approximately \$159,000 will be financed through developer contributions, approximately \$5,560,000 will be financed through impact fees, with the balance of \$22,040,000 coming from charges for services. The major projects contributing to these total dollars include the installation of transmission lines, replacement mains, replacement and new wells, and additional storage reservoirs.

#### Streets And Highways

The 2006-2011 Streets and Highways capital improvements program and Transportation improvement program identify average annual expenditures of over \$33.4 million for the next six years. Funding for these projects includes \$133 million in City revenues, \$49 million in federal aid, and \$23 million in other funds.

#### Infrastructure Impact Fees

The City's growth in both population and employment have created demands for new residential and nonresidential development, which in turn creates the need for additional public facilities, including water and wastewater systems, arterial streets, and neighborhood parks and trails. Under the City's current laws, taxes, fees, utility charges, and other forms of revenue generated from new development do not provide sufficient funds to finance these new facilities.

In response to these funding needs the City of Lincoln passed an ordinance to provide for the imposition of impact fees to ensure that facilities are available to serve new growth and that new development bears its proportionate share of the cost of improvements to the City's facilities. Impact fees for all types of new construction have been set and adopted by the City Council and began June, 2003.

### **Property Tax Collections**

As of August 31, 2005, current tax collections by the County Treasurer were 96.80% of the tax levy, an increase of .23% from last year. Allocations of property tax levy by purpose are as follows:

<u>City Tax Levy By Purpose</u>	<u>2004-2005</u>	<u>2003-2004</u>	<u>2002-2003</u>
General Fund	.1706	.1692	.1757
Library	.0490	.0485	.0534
Social Security	.0149	.0143	.0162
Police and Fire Pension	.0182	.0149	.0149
General Obligation Debt	<u>.0423</u>	<u>.0434</u>	<u>.0543</u>
	.2950	.2903	.3145

### **Parking Facilities**

The City of Lincoln operates the following parking garages:

	<u>Number of Stalls</u>	<u>Date Opened</u>
Center Park	1,048	November, 1978
Cornhusker Square	405	December, 1983
University Square	436	April, 1990
Que Place	773	October, 1994
Carriage Park	710	February, 1995
Market Place	433	August, 2000
Haymarket	420	August, 2002

The City's parking garages have been built to promote downtown redevelopment efforts by working with private industry in providing necessary parking to various businesses in the downtown area.

Revenue generated by the parking facilities and on-street parking meters, as well as unappropriated street construction funds, are pledged for debt service of both the 2001 Parking Revenue Bonds and the 1999 Parking Revenue and Refunding Bonds. Comparative data for the past two fiscal years are presented in the following table:

	<u>2004-2005</u>	<u>2003-2004</u>
Operating Revenue	\$ 5,214,542	5,325,668
Operating Income Before Depreciation	2,241,833	2,592,176
On-Street Parking Meter Revenue	835,000	835,000
Street Construction Funds	164,142	-
Revenue Available For Debt Service	3,240,975	3,427,176
Debt Service	2,160,650	2,160,650
Debt Service Coverage Ratio	1.50	1.59

### **Sanitary Landfill**

The City of Lincoln owns and operates a municipal solid waste landfill and a construction and demolition debris landfill that are subject to the U.S. Environmental Protection Agency rule *Solid Waste Disposal Facility Criteria*, which establishes closure and postclosure care requirements. As of August 31, 2005, the City estimates that it will incur costs approximating \$15 million to adhere to such requirements (see Note 17 of Notes to the Financial Statements).

### **Water And Wastewater System**

The City's Water Utility System showed an increase in operating revenue and an increase in operating income. Comparative data for the past two fiscal years is presented in the following table:

<u>Water System</u>	<u>2004-2005</u>	<u>2003-2004</u>
Operating Revenue	\$24,362,174	22,168,258
Operating Income	5,196,025	3,901,083
Revenue Available For Debt Service	12,455,075	10,463,376
Debt Service	8,412,932	5,526,632
Debt Service Coverage Ratio	1.48	1.89

The City's Wastewater Utility System showed an increase in operating revenue and an increase in operating income. Comparative data for the past two fiscal years is presented in the following table:

<u>Wastewater System</u>	<u>2004-2005</u>	<u>2003-2004</u>
Operating Revenue	\$16,985,552	16,011,984
Operating Income	1,559,979	1,537,738
Revenue Available For Debt Service	8,043,861	9,028,879
Debt Service	3,903,519	3,883,704
Debt Service Coverage Ratio	2.06	2.32

### **Lincoln Electric System (LES)**

The City owns and operates its own electric utility system that is managed by an administrative board. Actions of the board with regard to rates, budgets, and long-term financing are subject to final review and approval by the City Council. In accordance with Section 2.55.090 of the Lincoln Municipal Code, LES operates on a January 1 - December 31, fiscal year. Audited financial information as of and for LES' fiscal year ended December 31, 2004, is included in the City's August 31, 2005, financial statements.

### **Certificate Of Achievement**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lincoln, Nebraska, for its comprehensive annual financial report for the fiscal year ended August 31, 2004. This was the twenty-second consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

### **Acknowledgments**

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. I would like to express my appreciation to all members of the department who assisted and contributed to its preparation. I would also like to thank the Mayor and members of the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Don Herz  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lincoln,  
Nebraska

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
August 31, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Nancy L. Zjelle*

President

*Jeffrey R. Emmer*

Executive Director



**CITY OF LINCOLN**  
NEBRASKA