

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the City of Lincoln, Nebraska (the City) offers readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended August 31, 2006. Please consider this discussion in conjunction with the additional information provided in the Letter of Transmittal (beginning on page vii) and the transactions, events and conditions reflected in the City's financial statements (beginning on page 18).

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at August 31, 2006, by \$1,320,073,572 (net assets). Of this amount, \$147,880,201 (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 \$38,142,176. Of this amount, \$27,590,731, or 72 percent, was an increase in governmental activities and \$10,551,445, or 28 percent, related to business-type activities.
- As of August 31, 2006, the City's governmental funds reported combined ending fund balances of \$172,772,372, a decrease of \$20,767,173 in comparison with the prior year. Of this total fund balance, 60 percent, or \$103,520,893, is available for spending at the City's discretion (unreserved fund balance).
- As of August 31, 2006, unreserved fund balance for the general fund was \$27,463,451, or 29 percent of total general fund expenditures.
- The City's total bonded debt increased by \$93,999,000 (13 percent) during the current fiscal year. The key factor in this increase was the issuance of \$115,000,000 in revenue bonds by Lincoln Electric System.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the year ended August 31, 2006. 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).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general administrative services, public safety, streets and highways, health, planning and zoning, parks and recreation, libraries, aging services, job programs, urban development, mass transportation, engineering, self-insurance, and fleet management. The business-type activities of the City include water, wastewater and electric utilities; ambulance transport; solid waste management; golf courses; auditorium; and parking.

The government-wide financial statements can be found on pages 18-19 of this report.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains thirty-nine individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, the Street Construction fund, and the Federal Grants fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund and most other governmental funds. A budgetary comparison statement has been provided for the General, Street Construction, and Federal Grants major funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 20-27 of this report.

Proprietary funds – The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its parking facilities and lots; golf courses; auditorium; solid waste management; ambulance services; and wastewater, water, and electric systems. Internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its data processing, engineering, insurance, fleet management, telecommunications, and copy services. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Wastewater and Electric Systems, all of which are considered to be major funds of the City. Data from the other enterprise funds are combined into a single, aggregated presentation. Internal service funds are also combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for these funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 28-30 of this report.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements can be found on pages 31-32 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33-68 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 progress in funding its obligation to provide pension benefits to its police and fire employees. Required supplementary information can be found on page 69 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets exceeded liabilities by \$1,320,073,572 at August 31, 2006.

By far the largest portion of the City’s net assets (72 percent) reflects its investment in capital assets (e.g., land, buildings, improvements, utility plant, infrastructure, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**City Of Lincoln
Condensed Statements of Net Assets
August 31, 2006 and 2005**

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and Other Assets	\$ 295,093,325	310,881,420	289,911,082	269,056,883	585,004,407	579,938,303
Capital Assets	541,860,899	498,355,444	1,226,525,652	1,127,231,363	1,768,386,551	1,625,586,807
Total Assets	<u>836,954,224</u>	<u>809,236,864</u>	<u>1,516,436,734</u>	<u>1,396,288,246</u>	<u>2,353,390,958</u>	<u>2,205,525,110</u>
Long-Term Liabilities Outstanding	147,861,604	142,349,895	809,509,376	707,732,364	957,370,980	850,082,259
Other Liabilities	17,206,826	22,591,906	58,739,580	50,919,549	75,946,406	73,511,455
Total Liabilities	<u>165,068,430</u>	<u>164,941,801</u>	<u>868,248,956</u>	<u>758,651,913</u>	<u>1,033,317,386</u>	<u>923,593,714</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	417,745,982	399,561,548	536,166,169	509,989,903	953,912,151	909,551,451
Restricted	194,881,737	184,367,499	23,399,483	16,626,836	218,281,220	200,994,335
Unrestricted	59,258,075	60,366,016	88,622,126	111,019,594	147,880,201	171,385,610
Total Net Assets, as restated	<u>\$ 671,885,794</u>	<u>644,295,063</u>	<u>648,187,778</u>	<u>637,636,333</u>	<u>1,320,073,572</u>	<u>1,281,931,396</u>

An additional portion of the City’s net assets (17 percent) represents resources that are subject to external restrictions on their use. The remaining balance of unrestricted net assets (11 percent) may be used to meet the government’s ongoing obligations to citizens and creditors.

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

City Of Lincoln
Condensed Statements of Activities
For the Years Ended August 31, 2006 and 2005

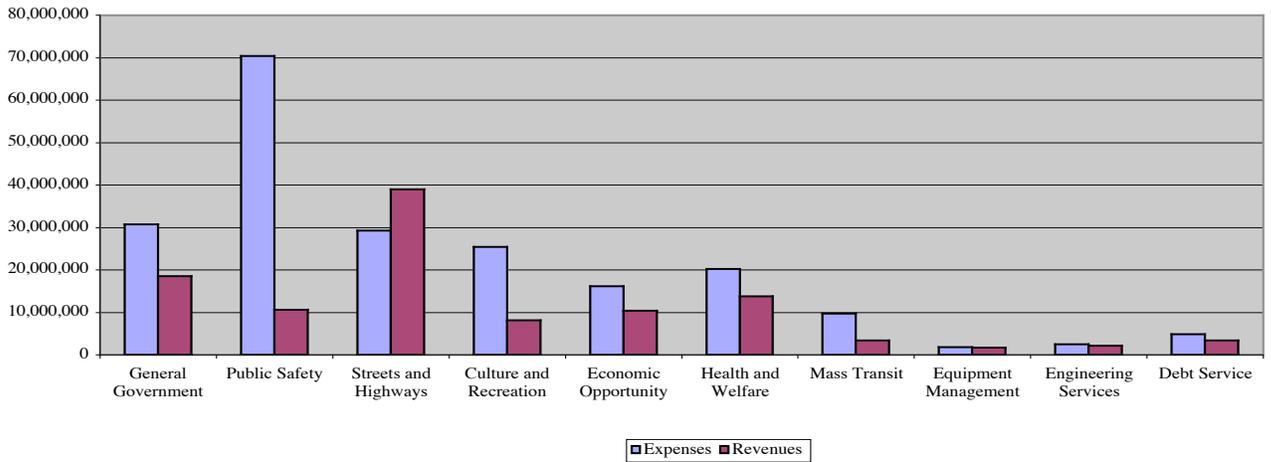
	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenues:						
Charges for Services	\$ 41,550,491	38,715,953	250,009,120	227,024,882	291,559,611	265,740,835
Operating Grants and Contributions	45,068,631	36,666,428	-	650,300	45,068,631	37,316,728
Capital Grants and Contributions	24,519,249	48,270,586	11,092,348	9,703,652	35,611,597	57,974,238
General Revenues:						
Property Tax	43,081,366	40,877,070	-	-	43,081,366	40,877,070
Sales and Use Tax	54,348,587	53,741,266	-	-	54,348,587	53,741,266
Other Taxes	22,760,713	22,893,674	2,232,680	2,111,731	24,993,393	25,005,405
Unrestricted Grants and Contributions	1,589,033	1,577,852	-	-	1,589,033	1,577,852
Unrestricted Investment Earnings	3,650,661	2,800,970	6,187,797	3,986,941	9,838,458	6,787,911
Other	1,671,705	3,899,801	277,850	210,321	1,949,555	4,110,122
Total Revenues	238,240,436	249,443,600	269,799,795	243,687,827	508,040,231	493,131,427
Expenses:						
General Government	30,781,582	27,955,407	-	-	30,781,582	27,955,407
Public Safety	70,390,835	70,432,578	-	-	70,390,835	70,432,578
Streets and Highways	29,293,980	20,620,140	-	-	29,293,980	20,620,140
Culture and Recreation	25,379,286	23,827,670	-	-	25,379,286	23,827,670
Economic Opportunity	16,165,310	15,522,471	-	-	16,165,310	15,522,471
Health and Welfare	20,215,258	18,873,394	-	-	20,215,258	18,873,394
Mass Transit	9,706,032	9,511,096	-	-	9,706,032	9,511,096
Equipment Management	1,789,593	2,012,107	-	-	1,789,593	2,012,107
Engineering Services	2,499,482	2,073,123	-	-	2,499,482	2,073,123
Interest on Long-Term Debt	4,853,854	4,859,767	-	-	4,853,854	4,859,767
Parking	-	-	4,857,024	5,186,283	4,857,024	5,186,283
Golf Courses	-	-	3,169,578	3,295,680	3,169,578	3,295,680
Auditorium	-	-	2,403,906	2,211,685	2,403,906	2,211,685
Solid Waste Management	-	-	6,146,612	6,767,689	6,146,612	6,767,689
Ambulance Transport	-	-	3,793,035	3,828,891	3,793,035	3,828,891
Wastewater	-	-	17,563,692	16,461,078	17,563,692	16,461,078
Water	-	-	23,137,996	22,249,027	23,137,996	22,249,027
Electric	-	-	197,751,000	171,812,000	197,751,000	171,812,000
Total Expenses	211,075,212	195,687,753	258,822,843	231,812,333	469,898,055	427,500,086
Increase in Net Assets Before Transfers	27,165,224	53,755,847	10,976,952	11,875,494	38,142,176	65,631,341
Transfers	425,507	1,290,018	(425,507)	(1,289,760)	-	258
Increase in Net Assets	27,590,731	55,045,865	10,551,445	10,585,734	38,142,176	65,631,599
Net Assets - Beginning, as restated	644,295,063	589,249,198	637,636,333	627,050,599	1,281,931,396	1,216,299,797
Net Assets - Ending, as restated	\$ 671,885,794	644,295,063	648,187,778	637,636,333	1,320,073,572	1,281,931,396

GOVERNMENTAL ACTIVITIES

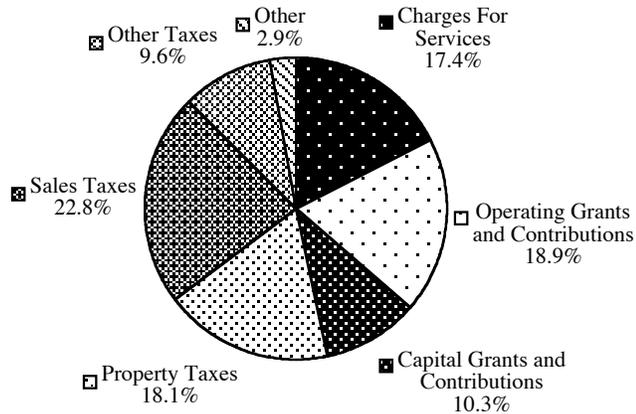
Governmental activities increased the City's net assets by \$27,590,731, accounting for 72 percent of the total growth in the net assets of the City of Lincoln. Key elements of this increase are as follows:

- The City's current year contribution to the Joint Antelope Valley Authority amounted to \$14,646,419.
- Property taxes increased by approximately \$2.2 million (5.4 percent) during 2006. Total growth in the tax base, which includes revaluations, annexations and other adjustments, was 3.8 percent.
- Net sales and use tax increased only by approximately \$600,000 (1.1 percent) during 2006. Legislation passed in 2005 by the Nebraska Legislature exempted manufacturing equipment from both the state and local option sales tax. For the six month period this exemption was in place during the 2006 fiscal year, it is estimated that it reduced Lincoln's sales tax by \$275,000 or .5 percent.

Expenses and Program Revenues - Governmental Activities



Revenues By Source - Governmental Activities



BUSINESS-TYPE ACTIVITIES

Business-type activities increased the city's net assets by \$10,551,445, accounting for 28 percent of the total growth in the government's net assets. Key elements of this increase are as follows:

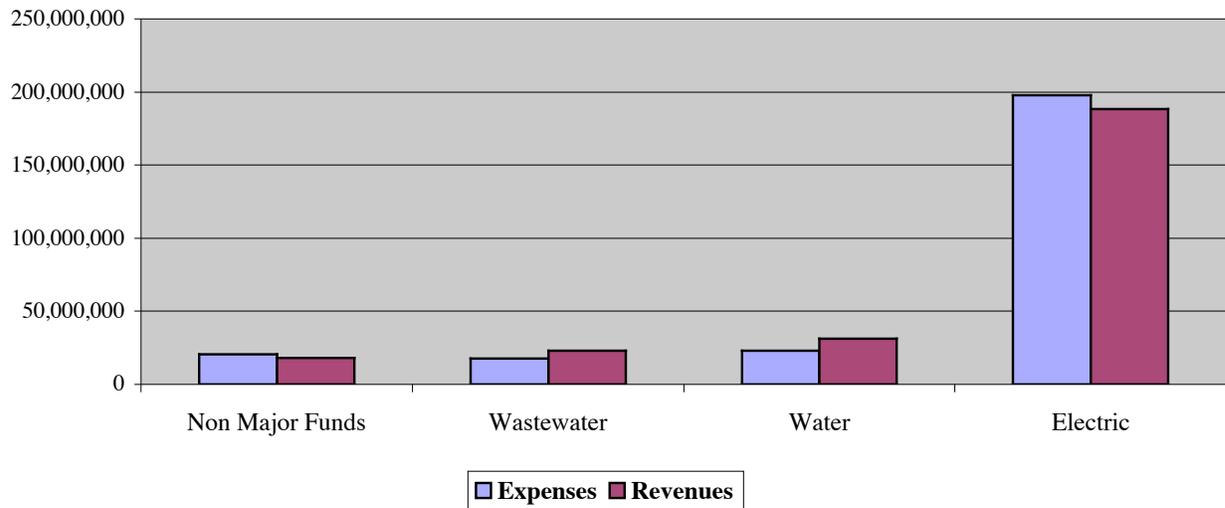
- Charges for services increased by approximately \$23 million, or 10 percent. The Water System revenues increased by \$1.2 million (5 percent) due to a user fee increase of 7 percent implemented with the water billings beginning in February of 2006. Total water pumpage for 2006 exceeded 2005 usage by 1.5 percent. Water pumpage for fiscal year 2006 was the highest of the top five water-use years.

Wastewater revenues are also based on water usage. Increased usage plus an increase of 9 percent in user fees implemented in February 2006 resulted in an operating revenue increase of over \$1 million (6 percent).

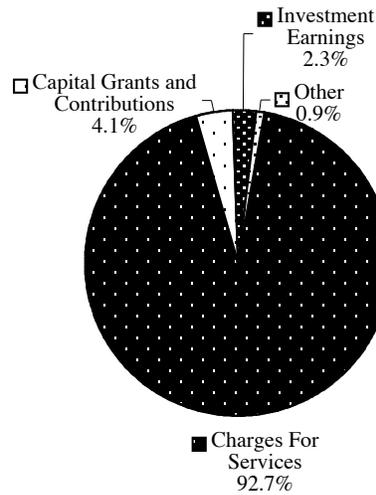
Operating revenues increased 11.8 percent for the Electric System in 2005 primarily due to a 3 percent rate increase effective October 2004 and a 9 percent rate increase effective August 2005. The increased revenues were more than offset by increased operating expenses due to sharply higher natural gas costs,

higher wholesale power prices and a doubling of rail delivery costs to Laramie River Station. The cost increases caused power costs in 2005 to increase \$24.7 million over the prior year.

Expenses And Program Revenues - Business-type Activities



Revenues By Source - Business-type Activities



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 balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of August 31, 2006, the City's governmental funds reported combined ending fund balances of \$172,772,372, a decrease of \$20,767,173 in comparison with the prior year. Of this total amount, 60 percent constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to:

- long-term loans receivable (\$17,497,000),
- pay debt service (\$11,863,224),
- generate income for the purpose of funding health and health-related programs for the citizens of Lincoln (\$37,000,000), and
- a variety of other restricted purposes (\$2,891,255).

The General Fund is the chief operating fund of the City. At August 31, 2006, the unreserved fund balance of the General Fund was \$27,463,451, while total fund balance reached \$29,292,038. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 29 percent of total general fund expenditures, while total fund balance represents 30 percent of that same amount.

The fund balance of the City's General Fund decreased by \$2,111,236 during 2006. The reduction in the fund balance of the General Fund is in compliance with City policy to appropriate balances that are in excess of 20 percent of the ensuing fiscal year's General Fund budget. This is accomplished by appropriating any excess over a 5-year period.

The Street Construction Fund had a total fund balance of \$17,664,311, which is to be used in the construction and maintenance of street and highways. The net decrease in fund balance during 2006 in the Street Construction Fund was \$11,137,072. This decrease was a result of the spend down of bond proceeds received from the issue of \$35,000,000 of general obligation highway allocation bonds. An additional factor is the City's involvement in the Joint Antelope Valley projects and the related capital contributions made.

The Federal Grants Fund had a fund balance of \$17,575,827. Expenditures in the fund decreased by \$681,982 (3 percent), while revenues increased by \$3,489,094 (18 percent). Acceleration in expenditure reimbursements resulted in an approximate \$3 million decrease in borrowing to cover an overdraw of pooled cash.

PROPRIETARY FUNDS

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

Unrestricted net assets of the Wastewater System, Water System, Electric System, and other enterprise funds amounted to \$12,150,833, \$24,090,843, \$49,027,000 and \$3,353,450, respectively, at August 31, 2006. Factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget were relatively minor (decrease of \$25,102 in appropriations) and can be briefly summarized as follows:

- \$(748,343) in miscellaneous decreases in general government activities.
- \$(191,529) in decreases allocated to public safety.
- \$(36,082) in decreases allocated to street maintenance.
- \$(154,824) in decreases allocated to parks and recreation.
- \$1,105,676 in increases allocated for General Fund transfers to other City funds.

Variances between actual General Fund revenues and expenditures and the final amended budget included the following:

- \$(1,134,583) negative variance in taxes collected by others. Actual sales tax collections were down 2 percent, attributed to a slow down in both motor vehicle sales and home construction material sales, increased internet sales, and higher gas prices resulting in less disposable income.
- \$1,418,681 positive variance in general government/miscellaneous function expenditures. This variance was the result of better than anticipated insurance and contractual services costs, and contingency funds left unspent.
- \$(1,862,281) negative variance in street lighting function expenditures. This variance was the result of additions related to both normal construction as well as Antelope Valley Project construction.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of August 31, 2006, amounts to \$1,768,386,551 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, streets, bridges, storm sewers, electric plant, and water and sewer plant. The total increase in the City's investment in capital assets for 2006 was 9 percent (a 9 percent increase for both governmental activities and business-type activities).

Major capital asset events during 2006 included the following:

- A variety of street construction widening and expansion projects for existing streets and bridges continued. Along with new construction of streets and drainage projects, construction-in-progress as of August 31, 2006, reached \$97,704,282.
- Major electric plant construction including generation (Salt Valley Generating Station and Council Bluffs #4) transmission, substation and distribution system which totaled over \$81 million in 2005, up \$27 million over 2004.
- An agreement with MidAmerican Energy Company is in place for a 100-mega-watt share of the 790 megawatt Council Bluffs #4 Unit slated to start commercial operation in 2007. Construction costs added \$59 million to the construction work in progress in 2005. LES's estimated cost is \$155 million.
- Wastewater System capital assets increased by approximately \$31,332,000 (16 percent) due to major project additions such as:
 - ✓ Northeast treatment plant - \$5,234,000
 - ✓ Theresa Street treatment plant - \$11,039,000
 - ✓ Transmission mains - \$14,767,000

- Water System capital assets increased by approximately \$11,376,000 (5 percent) due to major project additions such as:
 - ✓ Pumping stations - \$1,789,000
 - ✓ Water distribution mains - \$4,960,000
 - ✓ Water transmission pump station and mains - \$472,000
 - ✓ Selected main replacements - \$2,355,000
 - ✓ Wellfield and water treatment plant - \$1,796,000

City Of Lincoln
Capital Assets (net of depreciation)
August 31, 2006 and 2005

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 57,733,188	50,137,989	17,682,928	15,150,478	75,416,116	65,288,467
Buildings	48,432,468	43,793,767	138,885,792	139,685,303	187,318,260	183,479,070
Improvements Other Than Buildings	32,533,330	32,677,569	329,839,791	290,107,032	362,373,121	322,784,601
Machinery and Equipment	31,524,881	31,090,952	9,265,841	9,956,049	40,790,722	41,047,001
Utility Plant	-	-	555,515,000	552,677,000	555,515,000	552,677,000
Infrastructure	267,683,934	244,451,695	-	-	267,683,934	244,451,695
Construction-in-progress	103,953,098	96,203,472	175,336,300	119,655,501	279,289,398	215,858,973
Total	\$ 541,860,899	498,355,444	1,226,525,652	1,127,231,363	1,768,386,551	1,625,586,807

Additional information on the City's capital assets can be found in Note 7 of the notes to the financial statements on pages 49-51 of this report.

LONG-TERM DEBT

At August 31, 2006, the City of Lincoln had total bonded debt outstanding of \$817,777,000. Of this amount, \$99,347,000 comprises debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

City Of Lincoln
Outstanding Bonded Debt
(dollar amounts in thousands)
August 31, 2006 and 2005

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
General Obligation Bonds	\$ 99,347	104,538	-	-	99,347	104,538
Tax Supported Bonds	9,110	9,690	-	-	9,110	9,690
Revenue Bonds	-	-	709,320	609,550	709,320	609,550
Total	\$ 108,457	114,228	709,320	609,550	817,777	723,778

The City's total bonded debt increased by \$93,999,000 (13 percent) during 2006. The key factor in this increase was the issuance of \$115,000,000 in revenue bonds by Lincoln Electric System to provide funds for improvements to plant.

The City maintains the following credit ratings:

	Moody's Investors <u>Service</u>	Standard And <u>Poor's</u>	Fitch Investors <u>Service</u>
General Obligation Bonds	Aaa	AAA	-
Municipal Infrastructure			
Redevelopment Fund Bonds	Aa2	AAA	-
Antelope Valley Project Bonds	Aa2	AA	-
Water Revenue Bonds	Aa2	AA-	-
Wastewater Revenue Bonds			
MBIA insured	Aaa	AAA	-
Underlying	Aa2	AA+	-
Parking Revenue Bonds	A2	A	-
Lincoln Electric System			
Revenue Bonds	Aa2	AA	AA
2005 Revenue Bonds			
FSA insured	-	AAA	AAA
Commercial Paper – tax exempt	-	A1+	F1+

Under the City's Home Rule Charter, there is no legal debt limit.

Additional information on the City's long-term debt can be found in Note 9 of the notes to the financial statements on pages 52-57 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Property tax revenue required to fund the 2007 budget increased \$2,341,560 or 6.36 percent over the prior year. Total growth in the tax base is estimated at 12.95 percent of which 2.80 percent is from additions to the tax base and 10.15 percent from revaluation of existing property by the County Assessor.
- Sales tax collections for 2006 were below projections. 2007 projections reflect a 2.5 percent increase over 2006 actual collections. The 2006 Legislature passed a tax reduction package that narrowed the sales tax base by eliminating some services from the tax base. It is estimated this action will reduce 2007 fiscal year collections by \$1,075,000.
- Permits and fees are projected to increase \$979,005 (33.5 percent) because of \$912,000 expected from prior years under collection of the natural gas franchise fee. The revenue from the natural gas franchise fee is a one time funding source that will only be available for 2007.
- Fuel and utility charges are significant cost items within all City operations and have been increasing at a rapid rate. Increases for 2007 are expected as follows: fuel, oil and diesel \$965,228; electricity \$404,464; natural gas \$140,639; and propane \$14,725.
- A 6 percent water rate increase and a 8 percent wastewater rate increase were adopted by the City Council and become effective February 2007. A \$4 per ton Landfill gate fee increase is effective January 1, 2007 and is expected to generate \$1,000,000 annually.
- As part of employment turnover, there is often a time lag in filling positions or starting new employees at a lower rate of pay. The 2007 budget proposes capturing this savings by under-budgeting projected salary amounts by 1 percent in the tax and tax-subsidized funds as well as the Water, Wastewater, Engineering, and Solid Waste Management funds. This action is used to avoid further program and service cuts, reduce property tax requirements, and reduce the amount of utility rate increases.

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

At August 31, 2006, unreserved fund balance in the general fund amounted to \$27,463,451. The City of Lincoln has appropriated \$2,028,513 of this amount for spending in the 2007 fiscal year budget. The use of available fund balance aids the City in avoiding the need to raise additional property taxes during 2007.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Lincoln's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Lincoln, Finance Department, 555 South 10th Street, Lincoln, NE 68508.