

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION

BASIC FINANCIAL STATEMENTS
WITH
REQUIRED SUPPLEMENTAL INFORMATION
AND
ACCOMPANYING INDEPENDENT AUDITORS' REPORTS

YEAR ENDED JUNE 30, 2007

BLAND & ASSOCIATES, P.C.
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

Lancaster County Board of Commissioners
Lincoln/Lancaster County Public Building Commission
Lincoln, Nebraska

We have audited the accompanying financial statements of the governmental activities and the general fund of the Lincoln/Lancaster County Public Building Commission (PBC) as of and for the year ended June 30, 2007, which collectively comprise the PBC's financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the PBC. Our responsibility is to express an opinion on these financial statements based on our audit.

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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Lincoln/Lancaster County Public Building Commission as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Lincoln/Lancaster County Public Building Commission has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of the basic financial statements.

The budgetary comparison information on pages 19 and 20 is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2007, on our consideration of the Lincoln/Lancaster County Public Building Commission'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.

INDEPENDENT AUDITORS' REPORT

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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.

Omaha, Nebraska
December 14, 2007

Bland & Associates, P.C.

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
STATEMENT OF NET ASSETS
June 30, 2007

ASSETS	Governmental Activities
CURRENT ASSETS	
Cash Held by County Treasurer (Notes A and B)	\$ 2,766,942
Cash and Investments Held in Trust (Notes A and B)	3,295,230
Due From Other Governmental Agencies (Note C)	125,000
Taxes Receivable (Note A)	1,348,305
Total Current Assets	7,535,477
CAPITAL ASSETS (Notes A and D)	
Equipment	62,140
Vehicles	87,708
	149,848
Less Accumulated Depreciation	(114,869)
Total Capital Assets	34,979
	\$ 7,570,456
LIABILITIES AND NET ASSETS (DEFICIT)	
CURRENT LIABILITIES	
Accounts Payable	\$ 135,636
Accrued Interest Payable	449,408
Deferred Revenue	119,049
Capital Lease Payable (Note E)	23,653
Current Portion of Bonds Payable (Note F)	2,095,000
Total Current Liabilities	2,822,746
LONG-TERM LIABILITIES	
Bonds Payable, Net of Current Portion (Note F)	46,565,000
Total Liabilities	49,387,746
COMMITMENTS AND CONTINGENCIES (Note H)	
NET ASSETS (DEFICIT)	
Invested In Capital Assets, Net of Related Debt	34,979
Unrestricted	(41,852,269)
Total Net Assets (Deficit)	(41,817,290)
	\$ 7,570,456

The accompanying notes to financial statements are an integral part of these statements.

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

EXPENDITURES			
Personal Services			\$ 3,025,809
Material and Services			2,293,879
Interest			1,506,506
Depreciation (Note D)			<u>5,994</u>
			6,832,188
PROGRAM REVENUES			
Rental Receipts (Note A)	\$ 4,514,197		
Parking Receipts	<u>546,922</u>	<u>\$ 5,061,119</u>	
GENERAL REVENUES			
Taxes	3,016,781		
Security Services	500,455		
Investment Income	113,116		
Other Income	<u>186,480</u>	<u>3,816,832</u>	<u>8,877,951</u>
CHANGES IN NET ASSETS BEFORE TRANSFER			2,045,763
Transfer of Equipment To Lancaster County (Note D)			<u>(6,487)</u>
CHANGE IN NET DEFICIT			2,039,276
NET DEFICIT - BEGINNING OF YEAR, AS PREVIOUSLY STATED		(43,120,006)	
PRIOR PERIOD ADJUSTMENT (Note I)		<u>(736,560)</u>	<u>(43,856,566)</u>
NET DEFICIT - END OF YEAR			<u>\$ (41,817,290)</u>

The accompanying notes to financial statements are an integral part of these statements.

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2007

ASSETS

Cash Held by County Treasurer (Notes A and B)	\$ 2,766,942
Cash and Investments Held in Trust (Notes A and B)	3,295,230
Due From Other Governmental Agencies (Note C)	125,000
Taxes Receivable (Note A)	<u>1,348,305</u>
	<u><u>\$ 7,535,477</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 135,636
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FUND BALANCE

Unreserved	<u>7,399,841</u>
	<u><u>\$ 7,535,477</u></u>

The accompanying notes to financial
statements are an integral part of these statements.

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2007

Fund Balance - Governmental Fund	\$ 7,399,841
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>	
Capital assets (net of depreciation) used in governmental activities are not financial resources and, therefore, not reported in the governmental fund:	34,979
Property tax revenues, not collected within 60 days of the fiscal year end are not financial resources and, therefore, not reported in the governmental fund:	(119,049)
Liabilities that are not due and payable in the current period and, therefore, are not reported in the governmental fund:	
Bonds Payable	(48,660,000)
Capital Lease	(23,653)
Accrued interest payable	(449,408)
Net Deficit - Governmental Activities	<u><u>\$(41,817,290)</u></u>

The accompanying notes to financial statements are an integral part of these statements.

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE - GOVERNMENTAL FUND
Year Ended June 30, 2007

REVENUES	
Taxes	\$ 3,009,270
Security Services	500,455
Rental Receipts (Note A)	4,514,197
Parking Receipts	546,922
Investment Income	113,116
Other Income	186,480
Total Revenues	<u>8,870,440</u>
EXPENDITURES	
Building Maintenance and Repairs	1,065,011
Contractual Services	2,862,581
Utilities	1,136,750
Supplies	104,096
Rental	10,656
Capital Outlays	17,305
Other	163,228
Total Expenditures	<u>5,359,627</u>
REVENUES OVER EXPENDITURES	3,510,813
OTHER FINANCING USES	
Debt Payments	<u>2,922,327</u>
REVENUES OVER EXPENDITURES AND OTHER USES	588,486
FUND BALANCE - BEGINNING OF YEAR	<u>6,811,355</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 7,399,841</u></u>

The accompanying notes to financial
 statements are an integral part of these statements.

**LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2007**

Revenues over Expenditures and Other Uses - Governmental Fund	\$ 588,486
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in the fund financial statements. However, they are presented as assets in the statement of activities and depreciated over their estimated economic lives:	10,818
Current year depreciation expense for total capital assets	(5,994)
Governmental funds recognize property tax revenues as revenues when received within 60 days of the end of the fiscal year. However, in the statement of activities, property tax revenues are recognized based on the total taxes levied. This amount of property tax revenues due to the County but not collected within 60 days of the fiscal year.	7,511
Debt payments are expenditures in the governmental fund, but the repayment reduces long-term liabilities in the statement of net assets:	
Bonds Payable	1,440,000
Capital Lease Payable	22,634
Certain items reported in the statements of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund. These activities consist of:	
Accrued interest expense	<u>(24,179)</u>
Change in Net Deficit - Governmental Activities	<u><u>\$ 2,039,276</u></u>

The accompanying notes to financial statements are an integral part of these statements.

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Lincoln/Lancaster County Public Building Commission (PBC), is presented to assist in understanding the PBC's financial statements. The financial statements and notes are representations of PBC's management who are responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the financial statements.

Reporting Entity

The PBC was created pursuant to Section 13-1303 of the Nebraska State Statutes. The PBC was established to design, construct, maintain, operate, improve, remodel, remove, and reconstruct projects for use by both the City of Lincoln (the City) and Lancaster County, Nebraska (the County) as approved by the City and County, and all facilities necessary or convenient in connection with such projects. As provided by Nebraska State Statutes, the PBC and its corporate existence shall continue until all its liabilities and bonds have been paid in full or such liabilities and bonds have otherwise been discharged and the governing bodies of the City and County have jointly determined the PBC is no longer needed. When the PBC ceases to exist, all rights and/or properties of the PBC shall pass to and be vested in the City and County.

The PBC is governed by a five-member Board of Commissioners consisting of two representatives each from the Lincoln City Council and the Lancaster County Board of Commissioners and a fifth member appointed by the other four members. Powers and duties of the PBC, as provided by state law, include among others, the rights to sue and be sued, acquire, hold and dispose of personal property for its corporate purposes; levy, assess and certify to the County annually the amount of tax to be levied for the purposes of the PBC (not to exceed 1.7 cents for each one hundred dollars of actual valuation of all tangible taxable property in the County); and incur debt and issue bonds and notes for any corporate purpose. The bonds, notes, obligations, or liabilities of the PBC are not the debt of either the State of Nebraska (the State), the City or the County, nor shall such bonds, notes, obligations or liabilities be payable out of any money other than the money of the PBC. The PBC is authorized to request additional funding from the County and the City for principal and interest payments when the tax, rental receipts, and parking receipts are not adequate.

To perform the function for which it was established, the PBC utilizes County employees, and thus incurs no direct personnel costs. However, the PBC reimburses the County for these incurred personnel costs.

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of PBC. 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 and charges for the support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Measurement Focus/Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this period, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures, such as principal and interest on general long-term debt, and claims and judgments, are recognized under the modified accrual basis of accounting when the related fund liability is due.

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The County Treasurer has pooled the cash resources of various funds for investment purposes. Investments consist primarily of certificates of deposit, time deposits, and U.S. government obligations. These investments are stated at cost, which approximates fair value, and are either insured by the Federal Deposit Insurance Corporation or collateralized with securities held by the financial institution's agent in the County's name. At June 30, 2007, PBC had \$2,766,942 of cash held by the County Treasurer.

Cash and investments held in trust consisted of the following as of June 30, 2007:

Cash	Carrying	Fair Value
Series 1998 - Reserve Fund	\$ 301,164	\$ 301,164
Series 2002 - Construction Fund	217,265	217,265
Series 2004 - Construction Fund	774,411	774,411
Series 2004 - Capitalized Interest Fund	2,002,390	2,002,390
	<u>\$ 3,295,230</u>	<u>\$ 3,295,230</u>

Property Taxes

The tax levies applicable to the PBC for the tax year 2006-2007 were \$0.017 per \$100 of assessed property value utilized for debt service for the County/City Building and the Justice and Law Enforcement Center. The assessed value, upon which the 2006 levy was based, was \$233,393,632,000.

Based on the valuation as of January 1, property taxes are levied by the County Board of Commissioners on or before October 15 of each year for all political subdivisions in the County. Real estate and personal property taxes are each due December 31 of the year in which the property is appraised. One-half of the taxes becomes delinquent April 1 and August 1 of the following year.

Counties are permitted by the State Constitution to levy a tax up to \$.50 per \$100 of assessed valuation for general governmental services other than the payment of principal and interest on bonded debt. They may levy taxes in addition to the \$.50 limitation upon a vote of the people. The tax levy remained below the \$.50 limitation for 2007.

Also, the \$.50 limit may only be levied to provide services offered jointly with another government under an interlocal agreement. The County may share \$.15 of its levy authority with rural fire districts and other political subdivisions no longer having any levy authority.

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes (Continued)

Additionally, the legislature, as part of a property tax relief package, prohibited counties from adopting a budget containing “restricted funds” which are greater than 2.5% of the prior year budgeted restricted funds, plus the percentage change in valuation increase attributable to new construction and additions to building in excess of 2.5%. Restricted funds include property taxes, payment in-lieu-of taxes, and state aid less amounts budgeted for capital improvements and bonded indebtedness.

Capital Assets and Depreciation

The PBC issues bond debt to finance various construction projects for buildings to which the PBC holds the lease. However, since the PBC does not have title to these buildings, the buildings are not included as capital assets on the statement of net assets. All costs for construction projects paid for by bond financing are reflected in the statement of activities as “Bonded Projects Outlay.”

In the government-wide financial statements (statement of net assets and statement of activities), expenditures for equipment and vehicles are capitalized at cost and accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of the donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives:

	<u>Years</u>
Equipment	8- 15
Vehicles	8

Net Assets

Net assets represent the difference between total assets and total liabilities. Unrestricted net assets are those that do not meet the definition of either net assets invested in capital assets, net of related debt, or restricted net assets. Net assets invested in capital assets, net of related debt, consist of capital assets less accumulated depreciation and the net of outstanding balances of any debts used to finance those assets, such as capital leases and notes.

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental fund types.

At the end of each budget period, unencumbered, unexpended appropriations lapse. Appropriations in the governmental fund types are charges for encumbrances when commitments are made. Fund balances are reserved for outstanding encumbrances, which serve as authorization for expenditures in the subsequent year. There were no encumbrances as of June 30, 2007.

Income Taxes

PBC qualifies as a tax-exempt organization under Section 115 of the Internal Revenue Code. Accordingly, no provision for income taxes is required.

Budgets and Budgetary Accounting

The PBC follows the procedures described below in establishing the budgetary data reflected in the PBC's financial statements in accordance with the statutory requirements of the Nebraska Budget Act.

On or before August 1, the County Board of Commissioners prepares and transmits a budget for the PBC showing the projected requirements, outstanding warrants, operating reserve, cash on hand at the close of the preceding fiscal year, projected revenue collected from sources other than property tax and amount to be raised by property taxation.

The budget is prepared on the cash receipts and disbursements basis of accounting. Encumbrances are also reflected as expenditures for budgetary purposes. At least one public hearing must be held by the County Board of Commissioners.

On or before September 20 each year, the County Board of Commissioners, after the action of the State Board of Equalization and Assessment has been certified to the County Clerk, the budget, as revised, is adopted and the amounts provide therein are appropriated.

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates employed. The most significant estimate is the useful lives of capital assets. Actual results may differ from those estimates.

NOTE B – CONCENTRATION OF CREDIT RISK

In 2005, PBC adopted the provisions of Governmental Accounting Standards Board (GASB) Statement 40, *Deposit and Investment Risk Disclosure*. This standard revised the existing requirements regarding disclosure of custodial credit risk and establishes requirements for disclosures regarding credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Adoption of GASB 40 had no effect on net assets and change in net assets in the current year. Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. PBC's deposit policy for custodial credit risk requires compliance with the provisions of state law.

NOTE C – DUE FROM OTHER GOVERNMENTAL AGENCIES

Due from other governmental agencies consisted of amounts due from Lancaster County of \$125,000 as of June 30, 2007.

NOTE D – CAPITAL ASSETS

The changes in capital assets designated for the operation of the PBC for the year ended June 30, 2007, are as follows:

	Balance June 30, 2006	Additions	Transfer to Lancaster County	Disposals	Balance June 30, 2007
Equipment	\$ 60,432	\$ 8,305	\$ (6,597)	\$ -	\$ 62,140
Vehicles	94,762	9,000	-	(16,054)	87,708
Less accumulated depreciation	(125,039)	(5,994)	110	16,054	(114,869)
	<u>\$ 30,185</u>	<u>\$ 11,311</u>	<u>\$ (6,487)</u>	<u>\$ -</u>	<u>\$ 34,979</u>

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2007

NOTE D – CAPITAL ASSETS (Continued)

Construction Commitments

The PBC has an active construction project as of June 30, 2007. The project is for the construction of mental health facilities. At June 30, 2007, the PBC's commitment with contractors includes expenditures to date of \$6,652,000 with a remaining commitment of \$170,000.

NOTE E – LEASE PAYABLE

PBC has entered into a capital lease agreement for equipment at a 4.45% interest rate. The equipment is included on the books of the County. There is one remaining lease payment due in the year ending June 30, 2008. This payment includes \$23,653 in principal and \$792 in interest.

NOTE F – BONDS PAYABLE

Transactions for the bonds payable for the year ended June 30, 2007, are summarized as follows:

	Balance June 30, 2006	Proceeds	Repayments	Balance June 30, 2007	Amount Due Within One Year
Series 1998, due in 2018	\$ 2,845,000	\$ -	\$ 145,000	\$ 2,700,000	\$ 155,000
Series 2002, due in 2022	8,300,000	-	400,000	7,900,000	410,000
Series 2004, due in 2026	11,295,000	-	-	11,295,000	625,000
Series 2005B, due in 2026	25,965,000	-	830,000	25,135,000	850,000
Series 2005, due in 2026	1,695,000	-	65,000	1,630,000	55,000
	<u>\$ 50,100,000</u>	<u>\$ -</u>	<u>\$ 1,440,000</u>	<u>\$ 48,660,000</u>	<u>\$ 2,095,000</u>

Bonds payable as of June 30, 2007, are summarized as follows:

\$3,695,000 Tax Supported Lease Rental Revenue Building and Refunding Bonds, Series 1998, issued August 15, 1998, payable in scheduled semiannual installments including principal amounts ranging between \$77,500 to \$122,500 plus interest, due on October 15, and April 15, commencing October 15, 1998, with interest ranging from 3.75% to 5.15%, final payment due October 15, 2018. \$ 2,700,000

\$9,895,000 Tax Supported Lease Rental Revenue Building and Refunding Bonds, Series 2002, issued August 21, 2002, payable in scheduled semiannual installments including principal amounts ranging between \$205,000 to \$312,500 plus interest, due on February 15 and August 15, commencing August 15, 2003, with interest ranging from 1.90% to 4.90%, final payment due August 15, 2022. 7,900,000

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2007

NOTE F – BONDS PAYABLE (Continued)

<p>\$11,295,000 Tax Supported Lease Rental Revenue Building and Refunding Bonds, Series 2004, issued July 28, 2004, payable in scheduled annual installments including principal amounts ranging between \$312,500 to \$432,500 plus interest, due on December 1, commencing with interest payments on December 1, 2004, and principal payments on December 1, 2007, with interest ranging from 2.35% to 5.00%, final payment due December 1, 2026.</p>	\$11,295,000
<p>\$26,375,000 Tax Supported Lease Rental Revenue Building and Refunding Bonds, Series 2005, issued June 4, 2005, payable in scheduled semiannual installments including principal amounts ranging between \$425,000 to \$967,500 plus interest, due on April 15 and October 15, commencing with interest and principal payments on October 15, 2005, with interest ranging from 2.25% to 5.00%, final payment due October 15, 2026.</p>	25,135,000
<p>\$1,700,000 Tax Supported Lease Rental Revenue Building Bonds, Series 2005B, issued November 18, 2005, payable in scheduled semiannual installments including principal amounts ranging between \$27,500 to \$45,000 plus interest, due on April 15 and October 15, commencing with interest payments on April 15, 2006, and principal payments on October 15, 2006, with interest ranging from 3.35% to 4.75%, final payment due October 15, 2025.</p>	1,630,000
	\$48,660,000

The annual principal and interest requirements to maturity for bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ 2,095,000	\$ 1,997,191	\$ 4,092,191
2009	2,165,000	1,932,514	4,097,514
2010	2,240,000	1,860,672	4,100,672
2011	2,305,000	1,782,966	4,087,966
2012	2,295,000	1,941,346	4,236,346
2013 - 2017	13,320,000	8,016,229	21,336,229
2018 - 2022	12,095,000	4,589,044	16,684,044
2023 - 2027	12,145,000	1,461,338	13,606,338
	48,660,000	23,581,300	72,241,300
Less current portion	(2,095,000)	(1,997,191)	(4,092,191)
	\$ 46,565,000	\$ 21,584,109	\$ 68,149,109

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2007

NOTE G – OPERATING LEASES

The PBC leases the County/City Building, the 233 Building, the K Street Power Plant, the Justice and Law Enforcement, the 9th and J Building, and parking spaces at no cost from the City and the County. The PBC uses the premises for the purpose of providing space to the County and City departments, agencies, and functions. The PBC is responsible for furnishing services, including heat, water, electricity, air conditioning, elevator service, cleaning services and maintenance, and repair to the City and County departments inhabiting the space. The costs to the PBC are funded through charges to the inhabitants based upon the number of square feet of space allocated annually. The amount charged to the inhabitants is based on total expenditures incurred in the previous year. These charges are then allocated based on square footage held by the inhabitant. This is done each year. The leases for the County/City Building, the 233 Building and parking space continue until all of the bonds have been fully paid and are no longer outstanding. The lease for the K Street Power Plan expires on October 15, 2014. The City and County reimburses the PBC a total of \$3,800,373 in the form of rental payments for the year ended June 30, 2007.

NOTE H – RISK MANAGEMENT

PBC is included in the insurance coverage of the County. PBC is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets, errors or omissions; injuries to employees; and natural disasters. These risks of loss are covered by various commercial insurance policies (with various deductibles), with the exception of workers' compensation and general liability. The PBC is self-insured for up to \$600,000 per occurrence for workers' compensation risks and up to \$250,000 per occurrence for general liability risks.

The self-insurance programs are administered by the PBC's Workers' Compensation and Risk Manager. Commercial insurance covers the excess of the self-insured amount to the maximum of \$1,000,000 for employers' liability and statutory limits for workers' compensation and \$5,000,000 for general liability.

The PBC utilizes the services of an actuary to prepare an analysis of the self-insured workers' compensation and general liability risks. The analysis is used to assist the PBC with its financial planning, budgeting, and management of the self-insurance programs. The programs were funded on a cash basis with annual premiums charged to the government fund types, including PBC, based on past experience of incurred losses and remitted to the Workers' Compensation Loss, and Self-Insurance internal service funds of the PBC. Settled claims have not exceeded commercial coverage for the last three years.

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2007

NOTE I – PRIOR PERIOD ADJUSTMENT

The accompanying financial statements reflect two prior period adjustments. These adjustments were related to taxes receivable not recorded as deferred revenue and unrecorded bonds payable. To correct for these errors, beginning net assets were decreased by \$736,560. As a result, beginning net deficit of \$43,120,006, as originally reported, has been increased to \$43,856,566. The changes to beginning net assets deficit are as follows:

Unrecorded bonds payable amount	\$ 610,000
Taxes receivable not recorded as deferred revenue	126,560
Total decrease in net assets	<u>\$ 736,560</u>

REQUIRED SUPPLEMENTAL INFORMATION

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN
FUND BALANCE - BUDGET TO ACTUAL (Budgetary Basis)
Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Taxes	\$ 3,067,784	\$ 3,067,784	\$ 2,846,612	\$ (221,172)
Security Services	-	-	500,455	500,455
Rental Receipts	4,968,225	4,968,225	4,514,197	(454,028)
Parking Receipts	595,439	595,439	546,922	(48,517)
Investment Income	-	-	113,116	113,116
Other Income	-	-	186,480	186,480
Total Revenues	<u>8,631,448</u>	<u>8,631,448</u>	<u>8,707,782</u>	<u>76,334</u>
EXPENDITURES				
Building Maintenance and Repairs	2,306,478	2,306,478	1,065,011	(1,241,467)
Contractual Services	1,425,000	1,425,000	2,862,581	1,437,581
Utilities	-	-	859,991	859,991
Supplies	126,606	126,606	104,096	(22,510)
Rental	-	-	10,656	10,656
Capital Outlays	-	-	17,305	17,305
Other	2,271,252	2,271,252	163,228	(2,108,024)
Total Expenditures	<u>6,129,336</u>	<u>6,129,336</u>	<u>5,082,868</u>	<u>(1,046,468)</u>
EXCESS OF REVENUES OVER EXPENDITURES	2,502,112	2,502,112	3,624,914	1,122,802
OTHER FINANCING USES				
Debt Payments	3,009,030	3,009,030	2,922,327	(86,703)
EXCESS (DEFICIENCY) OF RECEIPTS OVER EXPENDITURES AND OTHER USES - BUDGETARY BASIS	<u>\$ (506,918)</u>	<u>\$ (506,918)</u>	702,587	<u>\$ 1,209,505</u>
ADJUSTMENTS REQUIRED UNDER ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA				
To Adjust Receipts for Accruals (Net)			162,658	
To Adjust Expenditures for Accruals (Net)			(276,759)	
EXCESS OF REVENUES (MODIFIED ACCRUAL BASIS) OVER EXPENDITURES			<u>\$ 588,486</u>	

The accompanying notes to required supplemental information are an integral part of this statement.

**LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
Year Ended June 30, 2007**

**NOTE A – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND
BALANCE – BUDGET TO ACTUAL (Budgetary Basis)**

Basis of Accounting

The accompanying statement of revenues, expenditures, and change in fund balance – budget to actual is presented on the cash basis of accounting which is the PBC's budgetary basis of accounting.

Budget Law

The PBC is required by state law to hold public hearings and adopt annual budgets for all funds on the budgetary basis of accounting. Total expenditures for each fund may not exceed the total budgeted expenditures. Any revisions to the adopted budget of total expenditures to any fund require a public hearing.

**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**

Lancaster County Board of Commissioners
Lincoln/Lancaster County Public Building Commission
Lincoln, Nebraska

We have audited the financial statements of the governmental activities and the general fund of the Lincoln/Lancaster County Public Building Commission (PBC) as of and for the year ended June 30, 2007, which collectively comprise the Lincoln/Lancaster County Public Building Commission's financial statements and have issued our report thereon dated December 14, 2007. 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.

Internal Control Over Financial Reporting

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

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 affect the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America 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. We did not identify any deficiencies in internal control over financial reporting that would be significant deficiencies.

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.

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 (Continued)

Internal Control Over Financial Reporting (Continued)

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We noted no deficiencies in internal control over financial reporting that we considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lincoln/Lancaster County Public Building Commission's 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*.

This report is intended solely for the information and use of the Lincoln/Lancaster Public Building Commission and the State of Nebraska and this report is not intended to be and should not be used by anyone other than these specified parties

Omaha, Nebraska
December 14, 2007

Bland & Associates, P.C.