

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION

FINANCIAL STATEMENTS

JUNE 30, 2006

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
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DANA F. COLE & COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the Lincoln/Lancaster County Public Building Commission, Lincoln, Nebraska, as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. 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 the administration, 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 financial position of the Lincoln/Lancaster County Public Building Commission, Lincoln, Nebraska, as of June 30, 2006, and the changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 27, 2006, on our consideration of the Lincoln/Lancaster County Public Building Commission, Lincoln, Nebraska's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Lincoln/Lancaster County Public Building Commission, Lincoln, Nebraska, has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basis financial statements.

The budgetary comparison information on pages 14 - 15 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 method of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Dana F Cole + Company, LLP

Lincoln, Nebraska
December 27, 2006

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
 GOVERNMENTAL FUNDS BALANCE SHEET
 AND STATEMENT OF NET ASSETS
 JUNE 30, 2006

	Balance Sheet	Adjustments (Note 9)	Statement of Net Assets
ASSETS			
Cash	3,287,514		3,287,514
Cash at County Treasurer	2,625,589		2,625,589
Taxes receivable	1,185,647		1,185,647
Other capital assets, net of accumulated depreciation, (\$125,039)		30,155	30,155
Due from other governments	125,000		125,000
TOTAL ASSETS	7,223,750	30,155	7,253,905
LIABILITIES			
Accounts payable	412,395		412,395
Accrued interest payable		425,229	425,229
Long-term leases			
Due within one year		22,634	22,634
Due after one year		23,653	23,653
Long-term bonds			
Due within one year		1,370,000	1,370,000
Due after one year		48,120,000	48,120,000
Total liabilities	412,395	49,961,516	50,373,911
FUND BALANCES			
Unreserved	6,811,355	(6,811,355)	
TOTAL LIABILITIES AND FUND BALANCES	7,223,750		
NET ASSETS			
Unrestricted		(43,120,006)	(43,120,006)
TOTAL NET ASSETS		(43,120,006)	(43,120,006)

See accompanying notes to financial statements.

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
 GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE AND
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2006

	<u>Fund Balance</u>	<u>Adjustments (Note 10)</u>	<u>Statement of Activities</u>
EXPENDITURES/EXPENSES			
Building maintenance and repairs	867,172	7,300	874,472
Contractual services	3,177,553		3,177,553
Supplies	160,663		160,663
Other services	788,875		788,875
Debt service			
Principal	875,000	(875,000)	
Interest	1,507,489		1,507,489
Capital outlay	35,556	(35,556)	
Depreciation		5,408	5,408
Amortization		65,767	65,767
Total expenditures/expenses	<u>7,412,308</u>	<u>(832,081)</u>	<u>6,580,227</u>
PROGRAM REVENUES			
Rental receipts	4,147,039		4,147,039
Parking receipts	550,751		550,751
Total program revenues	<u>4,697,790</u>		<u>4,697,790</u>
NET PROGRAM EXPENSE			<u>1,882,437</u>
GENERAL REVENUES			
Taxes	2,728,663		2,728,663
Security services	496,668		496,668
Investment income	68,004		68,004
Miscellaneous income	49,772		49,772
Total general revenues	<u>3,343,107</u>		<u>3,343,107</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	628,590	(628,590)	
OTHER FINANCING SOURCES (USES)			
Bond proceeds	<u>1,700,000</u>	<u>(1,700,000)</u>	
Total other financing sources (uses)	1,700,000		
CHANGE IN FUND BALANCE/NET ASSETS	2,328,590	1,460,671	1,460,671
FUND BALANCE/NET ASSETS			
Beginning of the year	<u>4,482,765</u>	<u>(42,514,616)</u>	<u>(38,031,851)</u>
Prior period adjustment			<u>(6,548,825)</u>
End of the year	<u>6,811,355</u>	<u>(43,382,535)</u>	<u>(43,120,006)</u>

See accompanying notes to financial statements.

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

A. REPORTING ENTITY

The Commission was created pursuant to Section 13-1303 of the Nebraska State Statutes. The Commission 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 Commission 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 Commission is no longer needed. When the Commission ceases to exist, all rights and/or properties of the Commission shall pass to and be vested in the City and County.

The Commission is governed by a five-seat 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 Commission, 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 Commission (not to exceed one and seven-tenths cents of 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 Commission 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 Commission. The Commission is authorized to request additional funding from Lancaster County and the City of Lincoln for principal and interest payments when the tax, rental receipts, and parking receipts are not adequate.

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

B. BASIS OF PRESENTATION

For special-purpose governments engaged in a single governmental program, GASB 34, paragraph 136, allows the fund financial statements and the government-wide statements to be combined using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION (Continued)

statements rather than at the bottom of the statements or in an accompanying schedule. The columns entitled Statement of Net Assets and Statement of Activities display information about the Commission's government-wide financial operations. The columns entitled Balance Sheet and Fund Balance display information about the Commission's fund financial operations.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Commission are prepared in accordance with generally accepted accounting principles (GAAP). The Commission's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Commission's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report 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 tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Commission considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: property taxes, intergovernmental revenues and investment income. In general, other revenues are recognized when cash is received.

D. INVESTMENTS

Investments consist primarily of debt securities, which are carried at fair value.

E. FIXED ASSETS

The Commission issues bond debt to finance various construction projects for buildings that the Commission holds the lease to. However, since the Commission does not have title to these buildings, the buildings are not included as fixed 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."

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. FIXED ASSETS (Continued)

In the government-wide financial statements (Statement of Net Assets and Statement of Activities), expenditures for land, building, and equipment are capitalized at cost and accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of the donation.

Expenditures for major additions and improvements are capitalized and minor replacements, maintenance and repairs are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results from operations for the respective period. The Commission does not have a capitalization policy. The fund financial statements reflect expenditures for land, building and equipment as capital outlay and are expensed during the year of purchase. A reconciliation is performed between these two financial statements as reflected in the adjustments column.

Depreciation of exhaustible fixed assets is recorded as an expense in the Statement of Activities, which accumulated depreciation reflected in the Statement of Net Assets.

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets ranging from 8 to 15 years.

F. EQUITY CLASSIFICATIONS

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

a. Invested in capital assets, net of related debt

Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted net assets

Consists of net assets with constraints placed on the use either by (1) external groups, such as creditors, grantors, contributors or laws and regulations of other governments; or (2) through constitutional provision or enabling legislation.

c. Unrestricted net assets

All other assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. EQUITY CLASSIFICATIONS (Continued)

Fund Statements

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.

G. USE OF ESTIMATES

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

H. CAPITAL ASSETS

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair value as of the date donated. 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>Useful Lives</u>
Machinery and equipment	5 - 20 years
Vehicles	5 - 20 years

Capital assets purchased, acquired or constructed with bond proceeds are capitalized on the financial statements of the City of Lincoln, Nebraska or Lancaster County, Nebraska.

NOTE 2. PROPERTY TAXES

The tax levies applicable to the Commission for the tax years 2005 - 2006 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 2005 levy was based, was approximately \$16,000,000. Property taxes are levied by the County Board on or before November 1 each year for all political subdivisions of the County. Real estate and personal property taxes are due December 31 and attach as an enforceable lien on January 1 following the levy date and become delinquent in two equal installments on April 1 and August 1.

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 3. CASH AND INVESTMENTS

Cash and investments are held both by the County Treasurer and by the Commission. The County and Commission's investment policy was in compliance with State Statute.

As of June 30, 2006, the carrying amount and fair value of the Commission's cash and investments held by the County Treasurer was \$275,362 and \$2,350,226, respectively. The amounts were entirely insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized with securities held by the financial institution's agent in the County's name.

As of June 30, 2006, the carrying amount and fair value of the Commission's cash held by trust were \$27,849,099 and \$27,849,099, respectively. The cash held by trust consisted of money market funds, which are uninsured and unregistered, with securities held by the counterpart or by its Trust Department or agent, but not in the Commission's name.

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

Cash	Carrying	Fair Value
Series 1996 - Refunding Escrow	25,168,936	25,168,936
Series 1998 - Bond Fund	- 0 -	- 0 -
Series 1998 - Reserve Fund	300,136	300,136
Series 2002 - Construction Fund	207,118	207,118
Series 2004 - Construction Fund	1,946,349	1,946,349
Series 2004 - Capitalized Interest Fund	<u>226,560</u>	<u>226,560</u>
	<u>27,849,099</u>	<u>27,849,099</u>

NOTE 4. OPERATING LEASES

The Commission 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 space at no cost from the City and the County. The Commission uses the premises for the purpose of providing space to the County and City departments, agencies and functions. The Commission 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 Commission are funded through charges to the inhabitants based upon the number of square feet of space allocated. 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 Plant expires on October 15, 2014.

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS

The following is a summary of changes in capital assets of the Commission during the year ended June 30, 2006:

	Balance July 1, <u>2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2006</u>
Machinery and equipment	69,890	6,596	(16,054)	60,432
Vehicles	<u>94,762</u>	<u> </u>	<u> </u>	<u>94,762</u>
Total capital assets	164,652	<u>6,596</u>	<u>(16,054)</u>	155,194
Accumulated depreciation	<u>(135,685)</u>	<u>(5,408)</u>	<u>16,054</u>	<u>(125,039)</u>
	<u>28,967</u>			<u>30,155</u>

NOTE 6. LEASE-PURCHASE COMMITMENTS

On June 9, 1998, a lease-purchase agreement was entered into between the Commission and NACO Leasing Corporation to purchase a HVAC system. Lease payments are made on a semiannual basis in the amount of \$12,223 beginning July 1, 1998.

Under the lease-purchase agreement, the Commission is committed to making the following future minimum lease payments:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	22,634	1,811	24,445
2008	<u>23,653</u>	<u>792</u>	<u>24,445</u>
	<u>46,287</u>	<u>2,603</u>	<u>48,990</u>

NOTE 7. BOND COMMITMENTS

Bonds payable as of June 30, 2006 are 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 each October 15 and April 15, commencing October 15, 1998, with interest ranging from 3.75% to 5.15%, final payment due October 15, 2018.	2,845,000
\$8,330,000 Tax Supported Lease Rental Revenue and Refunding Bonds, Series 2002, issued August 21, 2002, payable in scheduled semiannual installments each February 15 and August 15, commencing August 15, 2003, with interest ranging from 1.90% to 4.90%, final payment due August 15, 2022.	7,685,000

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 7. BOND COMMITMENTS (Continued)

\$11,295,000 Tax Supported Lease Rental Revenue and Refunding Bonds, Series 2004, issued July 28, 2004, payable in scheduled annual installments each 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.	11,295,000
\$1,700,000 Tax Supported Lease Rental Revenue Bonds, Series 2005B, issued November 18, 2005, payable in scheduled semiannual installments each 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.	1,700,000
\$26,375,000 Tax Supported Lease Rental Revenue Building and Refunding Bonds, Series 2005, issued June 4, 2005, payable in scheduled semiannual installments each 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.	<u>25,965,000</u>
	<u>49,490,000</u>

The aggregate maturities including principal and interest relating to these bonds are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	1,370,000	2,034,252	3,404,252
2008	2,025,000	1,990,995	4,015,995
2009	2,090,000	1,927,108	4,017,108
2010	2,165,000	1,856,394	4,021,394
2011	2,230,000	1,779,375	4,009,375
2012 - 2016	12,505,000	7,521,170	20,026,170
2017 - 2021	12,960,000	4628,297	17,588,297
2022 - 2026	11,600,000	1,925,329	13,525,329
2027	<u>2,545,000</u>	<u>81,050</u>	<u>2,626,050</u>
	49,490,000	23,743,970	73,233,970
Less current portion	<u>(1,370,000)</u>	<u>(2,034,252)</u>	<u>(3,404,252)</u>
	<u>48,120,000</u>	<u>21,709,718</u>	<u>69,829,718</u>

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 7. BOND COMMITMENTS (Continued)

The following represents the change in bonds payable:

Beginning balance	49,345,000
Bonds issued	1,700,000
Payments	(875,000)
Series 2002 adjustment - split with County/City	(680,000)
Deferred amounts:	
Refunding	(1,340,000)
Amortization	<u>71,247</u>
Ending balance	<u>48,221,247</u>

The Commission issued \$26,375,000 in tax supported lease rental revenue building and refunding bonds to purchase U.S. Government State and Local Government Series Securities that were placed in an escrow account for the purpose of generating resources for future debt service payments of \$25,035,000 of 1996 lease rental revenue bonds. The refunding was undertaken to take advantage of low interest rates in order to reduce total future debt service payments. As a result, the refunded bonds are considered to be defeased and the escrow account and liability have been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$1,340,000. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This transaction resulted in a reduction of \$3,645,165 in future debt service payments.

On October 15, 2006, the Tax Supported Lease Rental Revenue Building and Refunding Bonds, Series 1996 were called. Total payment at call date was \$25,598,066, which included a premium of \$475,500.

NOTE 8. RISK MANAGEMENT

The Commission is included in the County's risk management program for workers' compensation coverage. The Commission does have a stand alone policy covering the Commission for general liability exposure. The Commission 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 County is insured up to \$2,000,000 (Statutory limit in Nebraska) for workers' compensation coverage per occurrence. The County's workers' compensation program has a self-insured retention of \$600,000 and the excess insurance is insured through an excess insurance carrier. The general liability exposures for the Commission are insured through a primary policy with a \$1,000,000/\$2,000,000 aggregate for occurrence. The commission also is insured through an excess umbrella policy for general liability for \$4,000,000 which provides coverage for general liability exposures up to the tort claims cap. The umbrella policy has a self-insured retention of \$10,000. Settled claims have not exceeded commercial coverage in any of the last three years.

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 9. EXPLANATION OF DIFFERENCES BETWEEN THE BALANCE SHEET AND THE STATEMENT OF NET ASSETS

"Total fund balances" of the Commission's funds [\$5,111,355] differs from "net assets" of the Commission's activities [\$(43,722,356)] reported in the statement of net assets. This difference primarily results from the long-term economic resources focus of the statement of net assets versus the current financial resources focus of the fund balance sheet.

NOTE 10. EXPLANATION OF DIFFERENCES BETWEEN THE FUND BALANCE STATEMENT AND THE STATEMENT OF ACTIVITIES

The "net change in fund balances" for the Commission's funds [\$628,590] differs from the "change in net assets" for the Commission's activities [\$1,460,671] reported in the statement of activities. The differences arise primarily from the long-term economic resources focus of the statement of activities versus the current financial resources focus of the Commission's funds.

NOTE 11. PRIOR PERIOD ADJUSTMENT

During the current year, it was determined that certain prior year long-term debt were incorrectly recorded on the Commission financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Original and Final Budget</u>	<u>Actual</u>
REVENUES		
Rental receipts	4,604,798	4,147,039
Parking receipts	589,165	550,751
Taxes	2,345,341	2,670,926
Security services		496,668
Investment income		68,004
Miscellaneous income		49,772
Total revenues	<u>7,539,304</u>	<u>7,983,160</u>
EXPENSES		
Building maintenance and repairs	2,180,498	847,881
Contractual services		2,928,473
Supplies	101,480	160,663
Other services	2,067,927	739,661
Debt service		
Principal	875,000	875,000
Interest	1,936,538	1,507,489
Bonded projects outlay	600,000	
Capital outlay	658,065	35,556
Total expenses	<u>8,419,508</u>	<u>7,094,723</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>(880,204)</u>	888,437
FUND BALANCE, beginning of year		<u>2,593,995</u>
FUND BALANCE, end of year		<u>3,482,432</u>

See accompanying notes to financial statements.

LINCOLN/LANCASTER COUNTY PUBLIC BUILDING COMMISSION
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

NOTE 1. SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

Basis of Accounting

The accompanying schedule of revenues, expenditures, and changes in fund balance - budget and actual are presented on the cash basis of accounting. This basis is consistent with the basis of accounting used in preparing the basic financial statements. All unexpended appropriations lapse at the end of the budget year.

Budget Reconciliation

The budget is adopted on the cash basis of accounting. The Governmental Fund, which reports on the accrual basis, is reported in the statements of revenues and expenditures - budget and actual on the budgetary (cash) basis.

Bonded projects outlay (\$600,000) was added to the budget statement. The costs for construction projects are budgeted through the Commission. Accounting for the bonded projects outlay is defined in Note 1.

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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

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

We have audited the basic financial statement of the Lincoln/Lancaster County Public Building Commission, Lincoln, Nebraska, as of and for the year ended June 30, 2006, and have issued our report thereon dated December 27, 2006. 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 Lincoln/Lancaster County Public Building Commission, Lincoln, Nebraska's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lincoln/Lancaster County Public Building Commission, Lincoln, Nebraska'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 Board of Commissioners, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Dana F Cole + Company, LLP

Lincoln, Nebraska
December 27, 2006